Austria Sch22	Indonesia Rp3100	Portugal Esc120
Bahrain Din0.650	Israel IS3.50	S.Arabia Rs7.00
Belgium BFr48	Italy L1700	Singapore S$4.10
Canada C$1.00	Japan Y500	Spain Pta145
Cyprus C£0.90	Jordan Fils500	Sri Lanka Rup30
Denmark DKr10.00	Kuwait Fils.500	Sweden SKr9.00
Egypt E£2.25	Lebanon $L125.00	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan NT$65
France FFr8.50	Malaysia Rin4.25	Thailand Bht50
Germany DM2.30	Mexico Pes900	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,608 Friday August 5 1988 D 8523 A

CARPHONES
A communications lesson for Europe
Page 12

World News

Geneva talks on Southern Africa to run fourth day

The Geneva talks on South West Africa have been extended into an unscheduled fourth day as delegates, reporting some progress, considered counter-proposals by Cuba to South Africa's suggested *timetable for ceding full* independence to Namibia and the withdrawl of foreign troops from Angola.

Dr Chester Crocker, the US Assistant Secretary of state for african Affairs who is chairman of the talks, was attempting to hammer out a compromise between the two sides. Page 14

Shuttle blow

A test firing of the space shuttle Discovery's main engines faced a delay of 72 hours due to technical problems which halted countdown seconds before engine ignition. It was the fifth test firing delay. Page 4

Japanese-US award

The US House of Representatives voted 257-156 to approve legislation giving $20,000 each to thousands of Japanese Americans interned at the outbreak of the Second World War.

Beirut explosion

An explosion ripped through a Syrian Army checkpoint in Moslem West Beirut, wounding four Syrian soldiers seriously, police and security sources said.

Write back to work

US TV scriptwriters said they will belatedly start work by next week on an autumn season of programmes after Writers Guild of America leaders reached tentative agreement to end a 22-week old strike by its 9,000 members.

Kabul blast kills 3

Three people died and nine were wounded when a truck packed with explosives exploded in a Kabul market, Tass said.

Yugoslav prices rise

Yugoslavia introduced the second phase of its austerity programme by allowing electricity prices to rise 40 per cent, transport fares by 70 per cent and cooking oil prices by 66 per cent.

Athens signs pact

Greece ratified the European convention against terrorism which is now recognised by all but two of the 21 Council of Europe states.

Tamil 'drug ring'

Italian police seized 10kg *of heroin worth some $7m* and said they had uncovered part of a drugs network raising money for *Tamil guerrillas in Sri Lanka.*

Mandela disclaimer

A spokesman for the family of Nelson Mandela, the African National Congress *leader imprisoned in South* Africa said that US businessman Robert Brown does not represent the family interests.

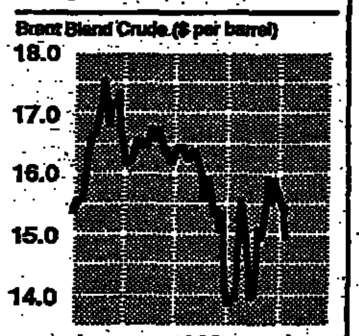
Business Summary

Mecca group in hostile bid for Pleasurama

MECCA Leisure, the UK bingo, holiday camps and nightclubs group, yesterday launched a hostile takeover bid for Pleasurama, a much larger British leisure company. The share-only offer values the bigger company at £588m ($1,005m), nearly three times Mecca's own market capitalisation. *Page 15*

OIL prices were marked down sharply after a one-day meet*ing of the price committee of* the Organisation of Petroleum Exporting Countries in Geneva. There was no reassurance that Opec overproduction would soon end. Page 30

Oil Price



Source: Petroleum Argus

MARISA Bellisario, head of Italtel, the state-owned tele*communications group, and* Italy's best-known businesswoman, died at her home in Turin. She was in her early fifties. Page 14

EASTERN Airlines, one of the two main operating subsidiaries of Texas Air, the biggest US passenger carrier, has been temporarily barred from implementing big cuts in its operations and sacking 4,000 of its employees. Page 15

WIDER PROFIT margins and a buoyant economy helped Akzo achieve record second-quarter earnings and prompted the Dutch chemicals and fibre group to raise its full-year profit forecast. Page 15

TI GROUP, the restructured UK engineering group, announced a 60 per cent increase in pre-tax profits from £25.1m to £40.1m for the half year to June 30. Page 15

CONSOB, the Italian stock exchange regulatory agency, paved the way for the completion of Mr Raul Gardini's controversial restructuring of his Ferruzzi and Montedison groups by approving the prospectus for a public quotation of Ferruzzi Finanziaria. Page 16

PHILIPS, the Dutch electronics company, is planning an assault on the European personal computer market, according to one of its executives. Page 17

INDEPENDENT Newspapers, New Zealand's largest newspaper group which is 40 per cent owned by Mr Rupert Murdoch's News Corporation, has been given government approval to buy the Auckland newspaper interests owned by NZ News. Page 17

BERGEN BANK, one of Norway's top three banks, is to merge the recently acquired Nevi, Scandinavia's largest financing company, with its own finance offshoot, Fabin, and to make a 20 per cent staff reduction. Page 17

ASAHI Breweries surged into *second place among Japan's* top brewers in the first half of the year due to the extraordinary success of its new dry beer. Page 21

FRENCH Treasury sold FFr7.48bn of government bonds in a heavily oversubscribed auction. Page 18

New US trade bill raises fears in Asia and Europe

By Stefan Wagstyl in Tokyo and Peter Montagnon in London

Japanese Trade Minister Hajime Tamura: warning

JAPAN will consider protesting to the General Agreement on Tariffs and Trade if measures contained in tough new US trade legislation are used against it, Mr Hajime Tamura, Trade Minister warned yesterday.

He was speaking after the trade bill was passed by 85 votes to 11 by the US Senate, paving the way for signature by President Ronald Reagan.

The Senate vote provoked widespread expressions of concern in Asia and Europe where governments are concerned at the powers the legislation will confer on the Administration to use sanctions to force open foreign markets to US exports.

Japan fears its large trade surplus with the US means it will be singled out for action under the bill. However, Mr Tamura's reaction was more muted than in April when he described an earlier version of the legislation as racist and protectionist.

That bill was vetoed by President Reagan because of a provision requiring business to give advanced notice of layoffs at larger factories.

"While this bill is not perfect - no bill 1,128 pages in length ever is - on balance it will strengthen America's international competitiveness," President Reagan said.

Japanese business leaders issued statements of regret and concern yesterday, among them Mr Joichi Aoi, president of Toshiba, the electronics group, which has been singled out for punishment in the bill because a subsidiary illegally sold sensitive technology to the Soviet Union. It faces a three-year ban on US government procurement sales.

Mr Aoi said the parent company was not directly involved in the sale and did not violate US law, but if the sanctions were implemented "Toshiba will have to decide measures against any loss in profits in the US."

A Finance Ministry spokesman in Tokyo, meanwhile, said he did not expect Japanese securities firms to be affected by a clause in the bill rendering foreign firms ineligible to be designated primary dealers in US government securities unless US firms had reciprocal access to their home country markets.

Japan already provides the same opportunity to foreign financial institutions as to domestic ones, he said.

The European Commission in Brussels said it would make no comment on the bill before a statement expected within the next few days. EC officials have warned that they would seek redress under the Gatt if the bill violated their rights under existing rules on international trade.

Asians more sad than angry, Page 4

US warns EC against protectionism after 1992 single market

By Stewart Fleming, US Editor, in Washington

THE US warned yesterday that the European Community could provoke retaliation if the planned single European mar*ket in 1992 led to an intensifi*cation of protectionism.

At the same time the US made it clear it fully supported European steps to remove internal barriers to trade.

In one of the first top-level US policy statements on a unified EC market, Mr Peter McPherson, US Treasury Deputy Secretary, said it would not only give opportunities to Europeans but also present challenges to the rest of the world.

"If barriers against foreign-owned firms are raised in the context of completing the internal market . . . the EC will undermine support in the US and elsewhere for multilateral efforts towards a more open international financial and trading system," he said.

"Indeed the intensification of protectionism in Europe would certainly evoke a response from the US Government."

Mr McPherson told the Institute of International Economics in Washington that the process of internal liberalisation would generate pressure for greater external protection.

Listing Washington's specific concerns, he said efforts to develop EC-wide commercial and industrial policies could create the temptation "to find a solution that meets the demands of the more protectionist members. This could result in new and greater discrimination against US exports and against US corporations in Europe" covering mergers and acquisitions, government procurement and local content requirements.

He expressed concern that with Europe focusing intensively on the elimination of internal barriers to trade and investment, EC member states might be less willing to liberalise external barriers in the Uruguay round of multilateral trade talks. It might also have the effect of diminishing the commitment of EC governments to the Uruguay Round.

In addition he warned that, particularly in banking and financial services, EC Commis*sion proposals that "reciproc*ity" should be the standard for judging the terms on which non-EC members should have access to the unified market "would undermine the principle of national treatment and the decades-long effort . . . to liberalise capital movements."

The concept of "reciprocity" is that foreign companies would be limited in their freedom to conduct business in the domestic market, to the same extent that domestic concerns are restricted in the foreign companies' home market. Thus if, for example, US securities laws prevent a European bank from conducting securities business in the US, then US companies would not be permitted to conduct securities business in the EC. Washington wants the principle of *national treatment - that for*eign banks should be governed by the same rules as domestic banks, for example - to be the standard.

In an interview before his speech, Mr McPherson stressed, however, that the US

Continued on Page 14

Iranians ask UN to investigate 'Iraq gas attack'

By Andrew Gowers, Middle East Editor, in New York

UNITED NATIONS Security Council members and the UN Secretary-General were yesterday considering an urgent Iranian request for the dispatch of a team of medical experts to investigate Tehran's allegation that Iraq had mounted yet *another poison gas attack on a village in north-west Iran this* week.

Mr Ali Akbar Velayati, the Iranian Foreign Minister, reported the alleged attack - which if Iran's claims are correct came less than 24 hours after a UN report criticised Iraq for stepping up its use of chemical weapons - to the President of the Security Council, Ambassador Li Luye of China, on Wednesday night. He was due to see Mr Javier Perez de Cuellar, the Secretary-General, last night.

Western diplomats yesterday expressed serious concern about the latest Iranian claim, which appeared to cast further gloom over the current UN *talks on ending the Gulf war.* They said, however, that although the Security Council was aware of the need to be seen to do something about Iraq's reported "more frequent and intense" use of chemical weapons, it might be reluctant to take precipitate action against Iraq for fear of derailing the peace effort.

Western representatives have repeatedly stressed in recent days the need to give Iraq the opportunity to make a dignified retreat from its entrenched position on the war, which calls for direct talks with Iran prior to a cease-fire.

Iranian complaints to the UN *on Iraqi use of chemical weap*ons have frequently, although by no means always, been verified. Yesterday, an Iraqi military spokesman denied the Iranian claim, saying that Iran was trying "to find justifications to continue its policy of aggression and to put difficulties before the implementation of the Security Council resolu*tion (598, calling for an end to* hostilities) in letter and spirit."

Mr Velayati said in a letter to the Secretary-General that 1,031 civilians, mostly women and children, were injured when Iraq bombarded the West Azerbaijan town of Oshnaviyeh in the early hours of Tuesday morning. This would make the incident the worst Iraqi chemical attack involving civilians since its bombardment of the Iraqi Kurdish town of Halabja in March.

"Immediate and serious measures by the UN in general and the Security Council in particular are imperative so as to prevent any future acts by the Iraqi regime," Mr Velayati wrote.

Yesterday also saw a small shooting incident involving Iranian gunboats and a Norwegian tanker in the Gulf, the first since Iran accepted resolution 598 nearly three weeks ago. The 284,502-tonne tanker Berge Lord was raked with machine-gun fire 25 miles off Dubai after refusing a request from the gunboats to stop and be searched.

The attack was, however, described as "very minor," and diplomats at the UN said was unlikely to affect the ceasefire talks.

The negotiations themselves were yesterday *surrounded by* a near-total news blackout.

Less Marx and more Mickey Mouse for Hungary

Leslie Colitt in Berlin

REFORM-MINDED Hungary, where McDonalds hamburgers are selling like hot goulash, may soon move a bit further *away from Marx and closer to* Mickey Mouse by setting up Eastern Europe's first Disneyland.

Mr Karoly Grosz, the Hungarian leader, returned last week from a visit to the fabled Los Angeles playground as an enthusiastic supporter of plans to build Europe's second Disneyland in Budapest. The first is to be built outside Paris.

A Disneyland vice-president is to visit Budapest next month to hold further discussions on the project. Mr Grosz said Hungary had put the suggestion to Disneyland executives that part of the Budapest Disneyland be built before the opening in 1995 of a proposed Budapest-Vienna world's fair.

Afterwards the Disneyland could be expanded to occupy the site of the fair. A decision on whether the joint world's fair is to be held will be taken next February.

The Hungarian Disneyland - it would be only the third *outside the US after Tokyo and* Paris - would fit neatly into Hungary's plans to greatly expand tourism. Income from Western tourists this year is running 40 per cent above last year's $550m, according to Mr Miklos Nemeth, the Central Committee secretary responsible for the economy.

Tourism is one of the few sectors of the Hungarian economy which can be of direct help in repaying Hungary's gross debt to Western creditors of $18bn. Mr Nemeth said recently that annual earnings from tourism would be boosted to $800m or even $1bn.

What really enthuses Mr Grosz, however, is not so much the tourist revenue as input of knowhow in advanced electronics that a Magyar Disneyland would bring.

Electronics, he noted in a recent interview with Hungarian Radio, were needed at Disneyland so that the "crocodile opens its mouth and winks when the boat goes there and the elephant starts to shriek like a pig."

The possibility of Hungary gaining such electronics expertise, he said, "is what excited me."

But Disneyland executives will be closely studying the potential number of Europeans - East and West - who would be attracted to a Disneyland in Budapest. Profits in Hungarian forints from the entertainment park would presumably be exchanged into *dollars and repatriated* as with

Continued on Page 14

Charges in $150m fraud case

By William Dullforce in Geneva and George Graham in Paris

MR ANDREW Chapman, a Briton, and Mrs Simone Davies, a Swiss, were charged in a Geneva court yesterday in a fraud case involving some $150m in investors' money and an alleged manipulation of share prices on the US over-the-counter market.

Six men, including Mr Carl Davies, the British husband of Mrs Davies, have been arrested and charged in France. The Swiss authorities say two people are being held in West Germany.

Mr Chapman, 32, and Mrs Davies, 41, were remanded in custody for three months after a hearing held behind closed doors. Mr Chapman has denied the charges against him, stating that he was not aware of illegal activities in the companies with which he was associated, one of his lawyers said.

Thousands of clients from several European countries and further afield placed money for investment in OTC stocks with Swiss-registered companies managed by the two. The investors allegedly received no share certificates and some who tried were unable to reclaim their money.

The companies managed by Mr Chapman and Mrs Davies were part of a much larger network. Among those arrested in France is Mr Thomas Quinn, 50, an American, whom Mr Laurent Kasper-Ansermet, the examining magistrate in Geneva, believes to be the key figure behind the network.

The six held by the French have been charged with fraud and unauthorised dealing in securities. Mr Kasper-Ansermet said he was seeking the extradition of three of them, including Mr Quinn and Mr Davies.

Others arrested in France are Mr Garry-William Read, 45,

Continued on Page 14

Insurance group chief resigns

By Nick Bunker in London

MR Ronnie Ben-Zur, the young Israeli businessman who tried to carve out an insurance broking empire in London, has suddenly resigned as chief executive of his company, PWS Holdings, after taking responsibility for a disastrous acquisition in California.

The group's shares fell sharply to close down 51p at 154p last night on news that it planned to make a £4m ($6.8m) provision in its profit-and-loss account against the entire cost of its investment in Glenn, Nyhan & Associates (GNA), a privately-owned San Francisco insurance broker which it bought in February. PWS now plans to seek legal remedies to recover its money.

Mr Ben-Zur achieved fame in October 1986, when PWS crowned several years of rapid growth with an audacious but unsuccessful bid for a much larger Lloyd's rival, C. E. Heath.

Like other brokers, however, PWS has encountered harsh trading conditions, with interim pre-tax profits halved from £4.51m to £2.24m in the six months to March 31.

There was speculation yesterday that it will now be taken over. However, 42.5 per cent of its shares are owned by Opticford which is owned in turn by Tal Holdings, a Cayman Islands company 78 per cent controlled by trusts on behalf of the Ben-Zur family, led by Mr Ben-Zur's mother.

Mr Brian Sounes, acting PWS chief executive, said: "I am sure they will hold a family conclave. But they are not going to do anything that would worsen the situation."

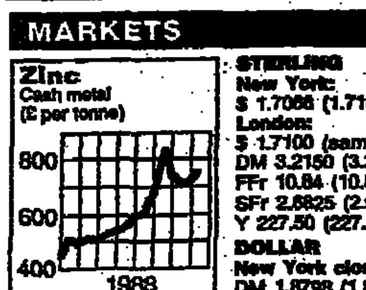
Former colleagues said Mr Ben-Zur left for Tel Aviv yesterday, following a board meeting on Wednesday. He offered his resignation after reporting on the full extent of problems at GNA. His offer was accepted *by a majority of directors* five hours later.

During the board meeting it was decided to instruct Freshfields, the company's solicitors, to start taking legal steps to recover PWS's investment.

PWS would not comment on the detailed reasons for the losses at GNA which provides liability insurance broking services to hospitals and the medical profession in the US.

Background, Page 20

MARKETS



STERLING
New York: $ 1.7068 (1.7105)
London: $ 1.7100 (same)
DM 3.2150 (3.2075)
FFr 10.84 (10.8125)
SFr 2.6825 (2.6700)
Y 227.50 (227.25)

DOLLAR
New York close:
DM 1.8798 (1.8755)
FFr 6.3405 (6.3240)
SFr 1.5875 (1.5630)
Y 133.02 (132.775)
Lon:
DM 1.8800 (1.8750)
FFr 6.3400 (6.3225)
SFr 1.5685 (1.5620)
Y 133.00 (132.85)

STOCK INDICES
New York:
Dow Jones Ind. Av. 2,126.80 (-7.47)
S&P Comp 272.01 (-.97)
London:
FT-SE 100 1,869.7 (+4.8)
World: 129.53 (Wed)
Tokyo
Nikkei Av 28,292.66 (-55.79)
Frankfurt
Commerzbank 1,488.7 (-8.8)

INTEREST RATES
US lunchtime
Fed Funds 7¾ (same)
3-mth Treasury Bills: yield: 7.057 (7.1099)
Long Bond: 100$\frac{25}{32}$ (100$\frac{3}{32}$)
yield: 9.028 (9.088)
Lon: 3-month Inter-bank close 10¾ (-1/16)

GOLD
New York: Comex Dec $443.8 ($432.2)
Lon: $433.25 (same)

OIL
Brent 15-day (Argus) $ 14.45 (-50.5)
West Tex Crude $ 15.055 (-.40)

CONTENTS

The single market may mean abandoning the German dream

Mr Egon Bahr, chief strategist of the West German Social Democratic party, says the integration of the EC undermines once and for all the Federal Republic's dream of reunification with East Germany
Page 2

West German capital exports soar

By David Goodhart in Bonn

NET capital exports from West Germany for the first six months of 1988 have soared to a record DM50.5bn (£16bn), more than twice the total for 1987, according to Bundesbank figures released yesterday.

The data will fuel the anxious debate about the country's declining attractiveness as a production centre. But the negative balance in direct investment is insignificant compared with the jump in German buying of foreign securities.

Long-term investment overseas – direct investment, foreign securities and bank lending – rose to DM45.5bn over the half year (DM61.9bn for the whole of 1987) and instead of the usual offsetting effect of capital imports (DM37.2bn for 1987), foreign investors in Germany withdrew just over DM5bn in the first six months.

Although these figures follow a recent trend, caused by the combination of high domestic saving and low domestic investment income, capital export has been especially boosted this year by last October's announcement of a 10 per cent investment income withholding tax to be imposed next January. Capital export may subsequently remain at a higher level but the surge will not be repeated.

The tax is avoidable in several other countries, which explains why investment in foreign bonds (including D-Mark-denominated foreign bonds) rose to DM27.4bn for the half year. It also explains why a D-Mark bond issue costs the Bonn Government more than the Soviet Government.

Several analysts believe the sharp upward trend in exports also reflects the view that the DM has ceased appreciating, thus making the higher interest yield in other currencies more attractive.

Dr Ernst Moritz Lipp, chief economist of Dresdner Bank, stressed that while low domestic investment meant Germany had to export capital, the emphasis was shifting from short-term lending by banks to long-term transactions by individuals and companies.

The trend on direct investment by companies is also a negative one but the picture is rather more blurred. In 1987 there was a decline of DM1bn in foreign direct investment in Germany down to DM2bn, which is roughly where it stood in 1985 too. There has however been no sharp fall-off since the beginning of the decade.

And the steady rise in German direct investment abroad since 1984, which partly reflects efforts by German companies to increase international market share, actually faltered in 1987. According to the Bundesbank, the rise in 1985 was due to reinvested profits and that in 1986 to several big acquisitions.

But having hit a peak of DM19.5bn in 1986, direct investment abroad slipped to DM15.1bn in 1987, and in the first six months of 1988 it was lower than last year at DM7.1bn.

Swedish Premier defends Palme inquiry

By Sara Webb in Stockholm

SWEDEN'S Prime Minister yesterday justified a private investigation into the murder of his predecessor, Mr Olof Palme, on the grounds that serious allegations over who was behind the murder had come to light in recent months.

Mr Ingvar Carlsson told the all-party constitutional commission investigating the Government's role that there was "serious criticism" of the Swedish security service for not acting upon signs that the Prime Minister would be murdered. "It was important to see if these were true or not."

Both the Prime Minister and Mrs Anna-Greta Leijon, the former Justice Minister (who resigned over the scandal in June and was also questioned yesterday) denied that the Social Democratic Party had launched a campaign against the Security service (Säpo) as a result of lack of confidence in the organisation.

Mrs Leijon repeatedly admitted that she was wrong to have written a letter of recommendation to the British intelligence service, asking them to provide information for Mr Ebbe Carlsson, a publishing friend who had approached her with information about a possible cover-up in Säpo.

Political fallout of a private affair

Our Stockholm Correspondent on the 'Ebbe Carlsson' scandal

MR INGVAR CARLSSON, the Swedish Premier faces the most serious law and justice scandal of his political career. Only six weeks before the general election, many in the Social Democratic Party privately fear the scandal could help tip the delicate balance of power, allowing a non-Socialist majority in Parliament.

The "Ebbe Carlsson affair," as it has been dubbed, not only casts doubt upon the soundness of Mr Ingvar Carlsson's judgement in trusting his Justice Minister to sanction a private investigation into the murder of the late Prime Minister Olof Palme, but has led to dissent within the ranks of the ruling Social Democratic Party. It has brought into the open the long-standing and damaging feud between Sweden's security police (Säpo) and members of the Government.

The scandal erupted in June when it transpired that Mrs Anna-Greta Leijon, the former Justice Minister, authorised a private investigation into the murder of Palme, who was shot on an open street in February 1986.

The private investigation was conducted behind the backs of police working on the official Palme murder hunt, but with the full knowledge of Mr Nils-Erik Åhmansson, the National Police Chief.

It was led by Mr Ebbe Carlsson, a book-publisher with close party ties and a friend of Mrs Leijon and of Mr Hans Holmer, the former Police Chief who resigned from the Palme investigation in early 1987 after single-mindedly pursuing the theory that the Kurdish Workers' Party (PKK) was behind the murder.

The charismatic Mr Ebbe Carlsson (who had no direct experience of solving murders, but a boyish fascination with police matters) planned to set up a secret operation room and tap telephone conversations between suspected PKK members in Sweden.

He said he wanted to investigate the PKK theory and look at whether there had been a cover-up in Säpo. He was given complete access to secret information (despite warnings from the Prosecutor that this was a breach of secrecy) and a letter of recommendation from Mrs Leijon to the British intelligence service asking for any information bearing on the assassination. Mrs Leijon was forced to resign over the scandal in early June.

Since then, prominent Social Democrats have been desperate to play down the scandal. The Prime Minister has promised to give Mrs Leijon a senior post after the election, effectively saying that apart from writing the letter or recommendation, she had done no wrong. Mr Sten Andersson, the Foreign Minister, told the press he preferred to trust Mr Carlsson than the Swedish Police.

Mr Carl Lidbom, Sweden's flamboyant ambassador to Paris (and another close friend of Mrs Leijon) who was appointed to investigate the security police in view of recent scandals, called the incident "no worse than a parking offence," while Mr Olle Svensson, the Social Democrat chairman of the all-party Constitutional Committee initially tried (unsuccessfully) to prevent a full investigation into the affair until after the election.

For the past week, the Constitutional Committee (KU) has questioned many of the key players in the Ebbe Carlsson affair in public, televised hearings to determine the Government's role.

"Säpo did not have the full support of the Government" claimed Mr Holger Romander, former National Police Chief. Both Romander and Mr Sven-Ake Hjaelmroth, former head of Säpo, said the private investigation had damaged the reputation of the police abroad.

"No alien secret service which wanted to damage Säpo could have done it more effectively than Ebbe Carlsson," Mr Per-Goeran Naess, the former head of Säpo's counter-intelligence operations, said.

Mr Naess, billed as Sweden's most secret man, told the KU in a bitter and swingeing attack on the Government that Mr Carlsson had had access to Mrs Leijon for seven or eight hours at a stretch to expound his theories and ideas – more time than his own division had been given to brief Mrs Leijon about their entire operations when she took over office – pointing out that the police had to content themselves with firm evidence and facts.

At a cost of SKr2m (in travel fees and purchase of bugging devices) and one Justice Minister, the Ebbe Carlsson affair has been an expensive mistake – the more so since not a single one of the prosecutors, police, undercover agents or government officials could honestly claim for the KU that Mr Ebbe's efforts yielded anything of use in solving the Palme murder.

Italy closer to tax reforms

By John Wyles in Rome

THE ITALIAN Cabinet is today expected to adopt draft tax reform legislation designed to carry forward its efforts to establish a firmer grip on rising budget deficits and public indebtedness.

Commitment to the strategy of balancing current government spending before interest charges with revenues by 1992 was reaffirmed yesterday by a summit meeting of the leaders of the five governing parties.

Although they stressed the need for "changes of laws and behaviour", it remains to be seen how far they have bridged real divisions within the coalition over the content of specific measures and timing of their introduction. In particular, the most junior members, the Republicans and Liberals, are continuing to call for spending cuts while the dominant Christian Democrats and Socialists are putting more faith in gentle tax increases and a tougher clampdown on tax evasion and avoidance.

This is reflected in the measures under discussion today. A draft law presented by Mr Emilio Colombo, the Finance Minister, which could run into parliamentary difficulties seeks to take away many of the numerous tax-deductible concessions currently allowed individuals and companies.

Under strong pressure from the trade unions to honour promises made in past years to remove the effects of fiscal drag on income tax rates, ministers are due to adopt a new set of bands which may lighten the burden on the directly employed by a reported L7,000bn.

Since this hardly contributes to the cause of budget deficit reduction, the Government realises that it needs offsetting revenue from other sources. A reduction in the number and an increase in the level of VAT rates has been postponed until September, partly because of union opposition to the Government's determination to sterilise the price impact on indexed wages.

Soviet unions seek new role

SOVIET trade unionists today begin a debate on extending perestroika to their own operations – amid signs that they are preparing eventually to play a role in plant bargaining that is more akin to their western counterparts, writes John Lloyd in Moscow.

Other issues before the plenum of the central council of trades unions include the (currently minimal) role of unions in co-operatives; their attitude towards self financing, now the role in many enterprises; and the increased freedom Soviet workers now have to elect representatives and even bosses.

Mr Stanislav Kramarenko, director of the central council's educational and cultural department, said unions were increasingly at odds with directors of enterprises who were cutting social expenditure to meet profit targets.

Mr Kramarenko admitted the unions – criticised for conservatism at the party conference – had been slow to change.

They had yet to organise workers in the new independent co-operatives. In many cases, such employees "wanted to be left alone to work as many hours as they wished." However, the plenum was likely to discuss forming a co-operative workers union.

Mr Kramarenko said unions were defining their role as "guarantors of social policies."

German reunification fades into the future

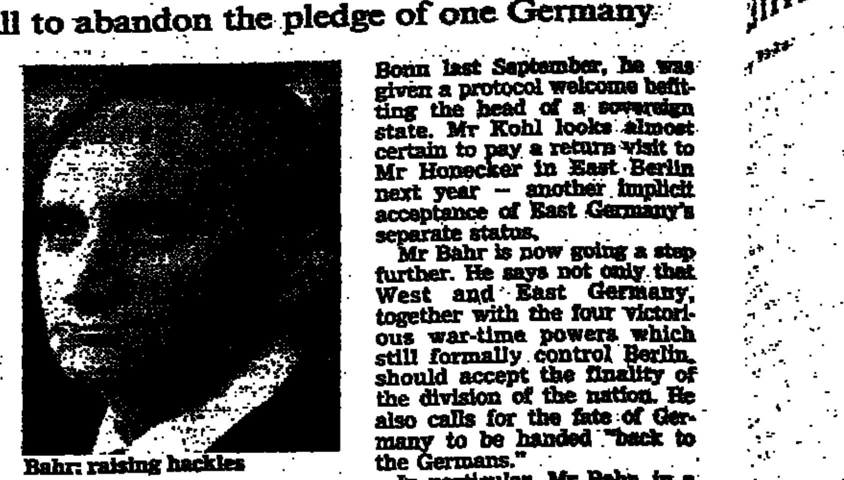
David Marsh on a call to abandon the pledge of one Germany

MR EGON BAHR, the East-West strategist of the West German Social Democratic Party (SPD), has a long history of provoking confrontations over the country's policies towards the Soviet bloc.

Uncomfortably for Chancellor Helmut Kohl's Christian Democratic Union (CDU), Mr Bahr also has a record, on some important points at least, of having been proved right.

Now Mr Bahr is raising hackles again in Bonn by suggesting that West German participation in an increasingly integrated European Community undermines once and for all the Federal Republic's pledge to seek reunification with East Germany.

Mr Bahr, now aged 66, ranks as one of the most thoughtful and certainly the most controversial of West Germany's leftwing nationalists. He is putting forward his latest thesis partly to inject fresh life into the increasingly ritualised debate about reunification, enshrined as a central goal in the Federal Republic's 1949 Basic Law or provisional constitution.



Bahr: raising hackles

In an interview, he said the planned 1992 creation of a full internal EC market for goods and services would bind the Federal Republic "irreversibly" to the West. Combined with efforts by the Comecon states to create a separate integrated economic bloc, this would expose as untenable the 1949 reunification pledge.

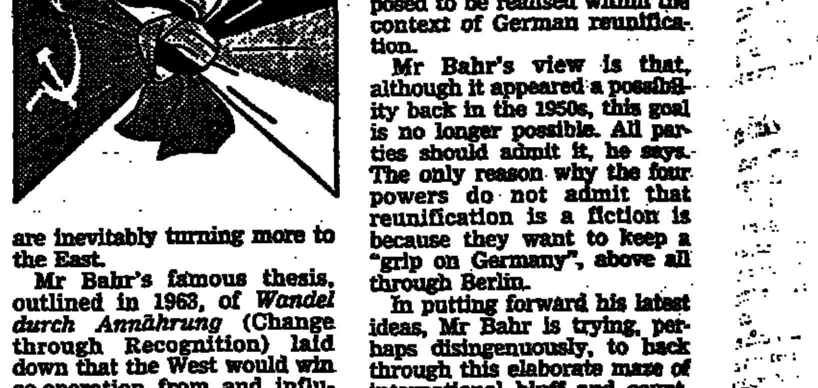
"I don't see anyone in the Federal Republic who wants to leave the [western] system," he said. "If this is the case, I must ask whether the whole hypocrisy [about reunification] should now come to an end."

Mr Bahr warns that if a series of unresolved questions about Germany's post-war status is not cleared up, discontent could well up in the German population about what he calls discrimination against Germany by the wartime victors. This impatience, he says, should not be allowed to be exploited by the right.

Born in Thuringia in what is now East Germany, and a journalist in Berlin after the war for both the Russians and the Americans, Mr Bahr epitomises the Federal Republic's tendency to look to both East and West at once.

The SPD politician is regarded by many as a dangerous ideologue preaching a veiled form of neutralism which could weaken the Federal Republic's anchor to the western alliance. But Mr Bahr, who played a key role at the beginning of the 1970s in implementing the *ostpolitik* of Chancellor Willy Brandt, normalising Bonn's relations with the East, cannot be ignored.

This is especially so when, as a result of Mr Mikhail Gorbachev's reforms in the Soviet Union, West Germany's eyes



are inevitably turning more to the East.

Mr Bahr's famous thesis, outlined in 1963, of *Wandel durch Annährung* (Change through Recognition) laid down that the West would win co-operation from and influence over the East only by accepting the political reality of the post-war cleavage of Europe.

The idea was fiercely rejected at the time by the CDU. But it has now become an implicit part of Mr Kohl's policy. It provides the basic reason why the Chancellor is now eagerly grasping the opportunity offered by Mr Gorbachev of rapprochement with the Soviet Union.

Mr Bahr's basic guidelines also reappear in the Kohl Government's efforts to build bridges with East Germany. When Mr Erich Honecker, the East German leader, visited Bonn last September, he was given a protocol welcome befitting the head of a sovereign state. Mr Kohl looks almost certain to pay a return visit to Mr Honecker in East Berlin next year – another implicit acceptance of East Germany's separate status.

Mr Bahr is now going a step further. He says not only that West and East Germany, together with the four victorious war-time powers which still formally control Berlin, should accept the finality of the division of the nation. He also calls for the fate of Germany to be handed "back to the Germans."

In particular, Mr Bahr, in a book published earlier this year (*Zum Europäischen Frieden*, Corso), says it is time for the two German states to sign separate peace treaties with the Soviet Union, the US, Britain and France.

For more than 40 years the lack of a formal peace treaty has represented a bizarre piece of unfinished business after the Second World War. On the basis of international law, the German Reich still exists within its borders of 1937, pending a permanent European peace settlement – supposed to be realised within the context of German reunification.

Mr Bahr's view is that, although it appeared a possibility back in the 1950s, this goal is no longer possible. All parties should admit it, he says. The only reason why the four powers do not admit that reunification is a fiction is because they want to keep a "grip on Germany", above all through Berlin.

In putting forward his latest ideas, Mr Bahr is trying, perhaps disingenuously, to back through this elaborate maze of international bluff and counter-bluff. It is unlikely, however, that he will succeed in clearing the air.

The US and the Soviet Union, and many countries in Europe, prefer the paradoxes of the present position to almost any other conceivable solution. So, unless many more Germans become infected by Mr Bahr's impatience, Germany's post-war status and the reunification debate are likely to remain, quite deliberately, opaque.

Previous articles in the series on West Germany's relationship with Eastern Europe appeared on this page on August 2, 3 and 4

Fresh attack on Stalin over farm collectivisation

By John Lloyd

IF THE Soviet harvest looks good this year, it is no thanks to Josef Stalin. The great dictator, the subject of a lengthy and fiercely critical television documentary on his war leadership earlier this week, is now blamed not just for bad management of collective farms, but for implementing the idea in the first place.

The collectivisation drive, from 1929 to 1933, resulted in the death of millions of peasants from starvation and the deportation to labour camps of millions more. And, says Mr Vladimir Tikhonov in the current edition of Literaturnaya Gazeta, it did not even work.

"Alienated from his own land, deprived of any say in what was done with the product of his own hands, he was converted from someone who was his own master into someone who simply carried out tasks and commands," the Soviet Academy member writes.

Mr Tikhonov's attack on the comes at a time when the Soviet leadership is intensifying its drive to have families and groups lease land for up to 50 years in order to feel it is "master" once again, and thus produce more.

Banks battle for role in Portuguese privatisation

By Diana Smith in Lisbon

PORTUGUESE and international banks are scrambling to meet the August 16 deadline for bids to be shortlisted as advisers to two state-owned companies which are to be partly privatised.

Mr Anibal Cavaco Silva's Social Democrat Government said in July that Unicer breweries and Banco Totta e Acores would be the first state corporations to become mixed-capital companies where the private sector may acquire 49 per cent.

The sale to private interests of minority stakes in public enterprises is effectively a first step towards a programme of full privatisation, which should become possible next year.

Barclays de Zoete Wedd of Britain is among the foreign contenders for the initial exercise.

The Government will choose two banks or consortia for each company to be privatised. The job of the advisers will be to study the state companies' often chaotic accounts, assess their market value, and help sell the equity.

The institutions chosen are likely to be well-placed to play a leading role in next year's full privatisation programme.

MPs warn on arms control

By Robert Mauthner, Diplomatic Correspondent

THE ARMS control process, though potentially of great benefit to the West, also threatens to cause serious strains within the Nato alliance, a UK House of Commons Foreign Affairs Committee report, published yesterday, warns.

The report, entitled "The political impact of the process of arms control and disarmament," concentrates on the impact of arms control and reductions on Nato.

The committee, chaired by Mr David Howell MP, stresses that an important distinction should be made between the political consequences of arms control and the military value of particular agreements.

"Even the Intermediate Nuclear Forces (INF) Treaty has raised conflicts between maintaining security and easing tensions. Future negotiations could bring out these dilemmas in very much sharper focus," the report emphasises.

It also points out that arms control does not necessarily save money in the short term and that the immediate post-INF outlook is unlikely to be for lower defence spending. It is only in the longer run that savings through genuine arms reductions should be achieved.

The INF agreement eliminating a whole range of nuclear weapons and the prospect of substantial cuts in strategic nuclear weapons have underlined the problem of the US nuclear and conventional commitment to the defence of Europe.

The committee does not believe the partial withdrawal of US troops from Europe would necessarily signal any weakening of the US guarantee, provided it was done in consultation with its Nato allies.

"It would, however, clearly have serious implications for Western Europe's conventional defence capability, unless it was part of a negotiated agreement between East and West."

The report says that to achieve anything like an equal balance in conventional forces, the Warsaw Pact would have to withdraw as much as two-thirds of its strength in tanks and artillery in Europe. "Yet even if the Soviet Union and its allies are prepared to compromise on conventional forces, it is hard to see much leverage from the Nato side with which to negotiate from strength."

In spite of all the hazards, the committee believes Nato should not be deflected from pursuing arms control and reductions as vigorously as possible. But governments and public opinion should be prepared for "a long haul."

Matignon accord brings uneasy peace to New Caledonia

It will take years to allay suspicion among the indigenous population, reports **George Graham** from Paris

TRAFFIC is circulating freely again throughout New Caledonia, six weeks after Mr Michel Rocard, the French Prime Minister, brought the leaders of the South Pacific territory's pro- and anti-independence parties together in an unexpected peace agreement.

The "Matignon accord" has had an immediate effect, calming the hatred that culminated in a massacre of policemen and indigenous Kanak rebels on the neighbouring island of Ouvea. But it has also begun to reveal the difficulties of implementing a solution to the New Caledonia problem.

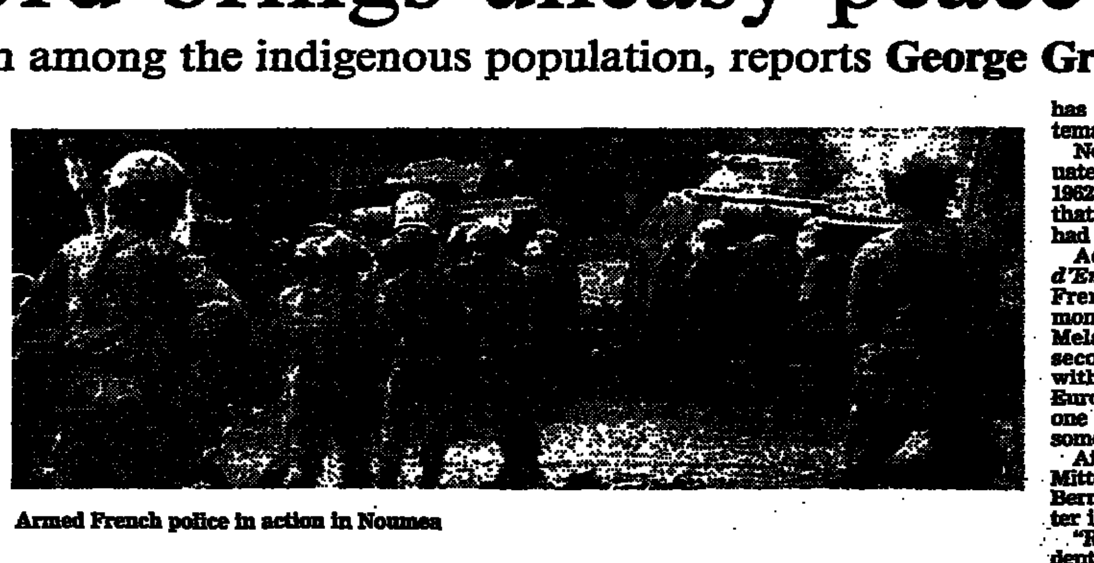
The agreement foresees a year of direct rule from Paris, followed by a division of the territory into three autonomous regions: the south, including the capital Noumea, dominated by European settlers or *caldoches*; the north; and the Loyalty islands. In the latter two zones, Melanesian Kanaks are in the majority. A final referendum on self-determination is to be held in 1998.

The FLNKS secessionist movement has shown considerable reluctance about putting off its ambitions for independence for 10 years, but it has not disowned outright its leader, Mr Jean-Marie Tjibaou, who signed the agreement along with Mr Jacques Lafleur, leader of the anti-independence RPCR party.

Nevertheless, the FLNKS has submitted a list of demands for modifications to the initial accord, focusing on the eligibility of voters for the 1998 referendum, on the need for an amnesty extending to those found guilty of crimes of violence, and on its preference for a division of New Caledonia into four territories.

Renegotiation of the agreement has been flatly ruled out by the Government, but Mr Louis Le Pensec, the French Minister for Overseas Territories, has conceded that there may be some "readjustment" of details, while keeping its "architecture" intact.

The FLNKS's demands on voter eligibility pose a real ideological problem. The last referendum on independence, organised a year ago under the previous Government of Mr Jacques Chirac and boycotted by the pro-independence parties, achieved a turnout of 59 per cent, with 98 per cent of those taking part voting in favour of staying French.



Armed French police in action in Noumea

Although the Melanesians form the largest ethnic group in New Caledonia, they are far from constituting an absolute majority: 43 per cent of the 145,368 population, according to the latest 1983 census, compared with 37 per cent of European origin, and a melting pot of other races, from Indonesia, Vietnam, Tahiti, and Wallis and Futuna.

Although the Melanesian population is growing nearly twice as fast as the *caldoches*, the FLNKS is still worried that by 1998 it will not yet command a majority of the electorate. It wants to exclude European settlers by limiting the vote to indigenous Kanaks and others with at least one parent born in the territory.

Mr Rocard, however, thinks the Melanesians will have outbred the settlers by 1998.

The government plan would freeze the electoral rolls to include those now eligible and their immediate descendants, ruling out any settlers arriving in the next decade.

Mr Rocard has acknowledged that the Kanaks have every reason to be suspicious of a deal spread over 10 years; he cites the fact that two previous undertakings by Paris (in 1963 and 1986) have been abrogated.

It will certainly take years to allay suspicion among an indigenous population which has for 120 years suffered systematic underdevelopment.

No Melanesian student graduated from high school until 1962, and it was not until 1968 that the Melanesian population had its first university student.

According to the *Institut d'Emission d'Outremer*, the French overseas territories' monetary authority, barely one Melanesian in seven reaches secondary school, compared with three in seven for the European population. Around one in a thousand completes some form of higher education.

Aides of President François Mitterrand are critical of Mr Bernard Pons, Overseas Minister in the Chirac Government.

"Reform began under President Giscard d'Estaing, but the Chirac Government turned back the clock. They concentrated into the space of two years all France's errors over the previous 130 years," commented a senior official.

The Matignon agreement includes specific commitments aimed at redressing the balance of economic development in the territories, which has in the past been tilted in favour of New Caledonia's dominant nickel mining industry and of the immediate surroundings of European-controlled Noumea.

Besides new roads in the north and east of the island and a new deep water port at Nepoui, the plan foresees increased spending on special youth employment measures.

It also explicitly calls for a "real training policy, aimed at . . . correcting the imbalances which are reflected in too weak a Melanesian presence in the various areas of activity of the territory, and in particular in the civil service."

Already, Mr Jacques Iekawe, one of the first Melanesian high school graduates and viewed as close to the pro-independence movement, has been nominated as secretary general of the territory's government.

The Government must now secure the final agreement of the two sides, FLNKS and RPCR, to the Matignon plan, which is then to be put to a nationwide referendum this autumn.

If Mr Rocard succeeds in New Caledonia, he will be a long way towards his aim of restoring France's reputation in the Pacific.

Mr Brice Lalonde, the Environment Minister, has been in Brisbane assuring the Australians that French nuclear tests on the Mururoa atoll represent no ecological danger.

Paris is also trying to soothe Wellington's anger over the premature repatriation of two secret agents, convicted of complicity in the sinking of a Greenpeace ship, who were supposed to be detained on a Pacific atoll for three years.

A face-saving solution will prove difficult, but is viewed in Paris as an important step towards regilding France's escutcheon in the region.

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Jordan to sack 20,000 West Bank employees

By Tony Walker in Amman

JORDAN HAS announced that it will lay off all but a handful of its approximately 20,000 employees in the Israeli-occupied territories, following a decision announced at the weekend to yield responsibility for the West Bank to the Palestine Liberation Organisation.

A statement issued following a Cabinet meeting in Amman yesterday explained that from August 16 some 5,300 civil servants employed before 1967 – the year Israel seized the West Bank – would be retired with full pension rights.

Civil servants employed for more than 15 but less than 20 years would be suspended, but would continue to receive their salaries until they reached pensionable age after 20 years of service.

Other civil servants, including teachers and health workers, employed for less than 15 years would be laid off with normal statutory severance arrangements, a month of pay for each year of service. These are believed to number about 12,000.

The only exceptions are religious employees, such as clerics, and those responsible for the administration of justice in the Islamic courts. These, numbering about 2,000 will continue to be employed.

Legal links

Jordanian officials are saying privately that it is now up to the PLO to assume responsibility for paying civil servants made redundant by Jordan's decision to end its legal and administrative links with the West Bank.

These officials say they are willing to co-operate with the PLO to ensure there is no hardship. It is recognised in Amman that the guerrilla organisation is hardly in a position to transfer salaries to the West Bank past the Israeli authorities.

King Hussein told a national television audience on Sunday that he was disengaging Jordan from the West Bank in response to demands, most recently made at an Arab League summit in Algiers, that called for a recognition of Palestinian rights to independent statehood.

The PLO, meanwhile, in its first official comment on the king's decision to abrogate direct responsibility for the people of the West Bank and Gaza Strip, has, by implication, criticised Jordan.

A PLO statement issued late this week at the end of a meeting in Baghdad of the Palestine Central Council, the PLO's advisory body, said that the decision "was taken without the knowledge of or consultation with the Palestine Liberation Organisation".

Andrew Whitley adds from Jerusalem: Israeli security officials are to step up their already stringent controls on money coming into the West Bank and Gaza Strip in response to the Jordanian action, in an effort to prevent the PLO stepping into the breach left by King Hussein.

Shin Bet

Whereas Jordanian government payments were regarded by Jerusalem as a stabilising factor in the region, the Shin Bet secret police have always gone to great lengths to halt the inflow of cash to PLO supporters.

Approximately 18,000 employees will be directly affected by the salaries cut-off. But, once dependants are included, the number of individuals hurt is likely to swell to nearly 100,000 – 6 per cent of the region's population.

The latest clandestine leaflet from the underground leadership of the uprising yesterday hailed the Jordanian monarch's move as "one of the most important achievements" of the eight-month-long *intifada* (revolt).

The unidentified leaders, believed to be a loose alliance of the various nationalist and Islamic factions, including the mainstream PLO, also called on Palestinians to boycott the current visit to the Middle East of Mr Richard Murphy, the US special envoy. Mr Murphy had been expected to meet several PLO-aligned Palestinians from the occupied territories in Cairo during the coming days.

Kuwait weighs prospects of life after a ceasefire

Robin Allen reports on the mood in Kuwait in the light of moves towards peace in the Gulf

CONVENTIONAL wisdom in Kuwait's private sector and among some government officials has it that geography will be as kind to Kuwait in the Gulf peace as it was cruel during the war.

There were times when Kuwait's closeness to the war almost led to it being sucked in.

While United Nations efforts to end the Gulf war have encountered difficulties, and there are signs the talks are running into deadlock, the Kuwaitis are beginning to relax in a way they have not for eight years. Summer holidays have taken on a double meaning.

When business starts up again, these Kuwaitis argue, their proximity as a supply point to Basra, Baghdad, and the northern Iranian Gulf port of Bushire, puts Kuwait in an ideal position from which to finance and supply the reconstruction boom in both countries after a ceasefire.

Of Kuwait's two main ports, Shuaiba has been operating at only 25 per cent capacity for most of the war and Shuwaikh less than that.

Mr Issa al-Mazidi, Kuwait's Minister of State for Services Affairs, has told Kuwait's ports to "get ready for a surge in shipping if Iran and Iraq end their war." There are already signs of increased dockings.

Kuwaiti companies, the optimists assert, are sitting on huge inventories of building materials, machinery, motors, trucks and spare parts, and will exploit Kuwait's proximity to Iraq in particular, when demand there rises as the reconstruction of Basra and other projects delayed by the war get under way. Kuwaiti banks, in this new dawn, will help finance this upsurge in re-exports.

There are also those in Kuwait who, remembering Iraq's predatory behaviour in the sixties and seventies with its aggressive claims to Kuwaiti territory, say circumstances in Iraq have changed.

"President Saddam Hussein himself has changed," one official suggested privately. "He is beholden to us for 10 years. His priorities are to re-establish his own economy."

But, even in financial terms, as one businessman remarked,

the cost of financing a Gulf peace could be as high as the cost of funding Iraq's war effort for the past six years.

A lot has changed in Kuwait in the past six years since the collapse of the Souk al-Manakh, the unofficial stock market, in August 1982, and the collapse of oil prices in January 1986.

Before the war, at the end of the seventies, remarked Mr Farouk Sultan, managing director of a prominent business consultancy, everyone was rich – the Government, trading and contracting companies, the banks, property companies and owners, and private investors. Now, at the end of the eighties, there is only one corporation inside the country with any money – the Government itself. Every institution and individual, except those with substantial funds abroad, unless they are forced to bring them back, depends on the Government as a source of funds.

Mr Sultan believes the private sector "lacks business maturity and is basically lazy. It is always looking for government handouts."

The question is whether or not the Government can afford to finance Iraqi reconstruction to the extent that Kuwaiti private sector can benefit. Can it politically afford not to? For the problems ahead are as much political as financial.

"Kuwait is very sensitive to the fact it is a small and extremely wealthy country wedged between three regional giants – Iraq, Iran and Saudi Arabia," says one diplomat. "This is a geographical fact of life, and it has to maintain its freedom to manoeuvre." Hence the Government's recent and prudent decision to allocate 1.532bn dinars ($5.5bn) out of the States General Reserve Fund for capital defence spending over the next 10 years.

Any assessment of the likelihood of Kuwait making new loans to Iraq, or to Kuwaiti companies trying to cash in on renewed development, has to start from the premise of Iraq's indebtedness to Kuwait.

There are no official figures for the money lent by Kuwait to Iraq to support its war effort. Private estimates put Kuwait and Saudi Arabia's contributions together at a minimum $35bn. It is almost certainly more.

In return, Kuwait has earned the enmity of Iran without guaranteeing tranquillity on its northern border with Iraq.

Before the war, there were at least two border incidents – in 1961 and 1973. On the latter occasion Saddam Hussein, was number two in Iraq's Baath Socialist government. According to diplomats in Baghdad and Kuwait, talks on delineating the border, inherited from the days of British paramountcy over both countries, were put in abeyance for the duration of the war.

Before its invasion of Iran, Iraq did not hide its claim to be the paramount power in the Gulf, despite coming off second best to the Shah's Iran. If Iraq wins the peace, these pretensions could resurface.

The fabric of Kuwaiti society has emerged the stronger from its own ordeals during the Gulf war. "They hope this is the beginning of the end of the war – and not just a device by which Iran can gain a breathing space," one diplomat said.

But one way or another it is thought Kuwait will have to find either new cash, and be prepared to reschedule existing loans – even if it is doubtful these will ever be repaid – and continue to provide revenue from sales of crude oil.

In short, the Government will not find it easy to finance the peace on behalf of Iraq and its own private sector, but it will be under great pressure from both to do so. Without government guarantees, the private sector will not repatriate even part of the estimated $45bn it has invested abroad.

Malaysia moves towards a higher growth rate

By Wong Sulong in Kuala Lumpur

THE Malaysian economy is moving towards full recovery, after going through a traumatic recession in the mid-1980s, according to both government and private sector economists, and the official projection of a 5 per cent growth this year has now been revised to 7 per cent.

Mr Lin See Yan, deputy Central Bank governor, said recently that Malaysia recorded 7.3 per cent growth for the first quarter of this year, and exports of manufactured goods rose by 32 per cent during the first four months.

Results of the economic survey by the respected Malaysian Institute of Economic Research (Mier) published yesterday, confirmed Mr Lin's optimism. It said the recovery, which began in the second half of last year, has gathered momentum, and it is projecting a growth rate of 7 per cent this year.

The export sector was likely to remain the main engine of growth, the Mier report said, and demand for commodities and manufactured goods was expected to remain buoyant.

Malaysia's exports this year are expected to rise by 13 per cent to 51bn ringgit (£11.27bn). Imports will rise faster to 36.4bn ringgit. The country's balance of payments position will remain strong, with a surplus of 6bn ringgit.

Mier said that private investment, which fell drastically in the mid-1980s, is forecast to grow by 15 per cent this year, and 11 per cent next, reflecting a return of business confidence. Private consumption will continue to expand by 4 per cent this year and 4.5 per cent in 1989.

Mier said unemployment was expected to be a problem, despite the strong economic recovery, and will remain around 10 per cent in the next few years.

Japanese business leader dies

By Ian Rodger in Tokyo

MR TOSHIWO DOKO, who led the Japanese business community through the economic turmoil of the mid-1970s and headed a government advisory panel that proposed privatising a number of companies, died in Tokyo yesterday at 91.

Mr Doko came to prominence in the early 1950s when he rescued the predecessor company of Ishikawajima-Harima Heavy Industries, the giant shipbuilding and engineering group, from a liquidity crisis. In 1965 he became president of Toshiba.

From 1974 as president of the Keidanren, the powerful federation of economic associations, he led the business community through the first oil crisis. In 1982, he was asked to head a study into administrative reforms, which led to privatisations of Nippon Telegraph and Telephone and Japan Air Lines.

Pretoria ponders import curbs

By Anthony Robinson in Johannesburg

SOUTH AFRICA may be forced to impose import controls and take other measures to head off a looming balance of payments crisis and honour its debt repayment commitments, Mr Barend Du Plessis, the Finance Minister, warned yesterday.

This latest indication of growing official concern over the consequences of a credit-fuelled consumption boom, which has sucked in imports, followed last Friday's one-point rise in bank rate to 12.5 per cent. It was the second increase since May and was accompanied by a similar rise in commercial bank prime rates to 16 per cent.

But in an interview with Business Day newspaper yesterday, Mr Du Plessis said that the authorities, who have been criticised for delaying action for fear of the negative political impact on October's municipal elections, could not rely on interest rate adjustments alone.

"It may become necessary to extend import controls," he said. The Government already imposes some import controls to protect strategic or fledgling industries. Its future options include raising the existing 7.5 per cent surcharge on some goods, extending the range of such surcharges and imposing higher tariffs "bearing our Gatt commitments in mind," he added.

Mr Chris Stals, the director general of finance – a senior civil servant – addressing property men in Durban yesterday, added that the value of imports rose 20 per cent over the first quarter of 1988, against a 4 per cent rise in exports. This deterioration on the trade account was accompanied by a further outflow of capital both inside and outside the scope of the August 1985 partial debt moratorium.

The net result has been a turnaround in the current account of the balance of payments from an annualised surplus of more than R6bn (£1.4bn) in the last quarter of 1987 to an annualised R400m deficit over the first quarter of 1988, he said. Part of the strain has been taken by the rand, which depreciated by 14.1 per cent against a basket of currencies over the first seven months.

But the decline in the current account and the continuing capital outflow, only partly compensated for by rising trade-related credits, is also reflected in a sharp drop in reserves.

Last month, the Reserve Bank revealed that gold and currency reserves fell by R540m in June to R5.65bn after repayment of R1.4bn in loans and interest.

To replenish depleted currency reserves, the central bank mobilised 1.1m oz of gold by various gold swaps. These were reflected in a R1bn cut in gold holdings to R3.93bn and a R460m increase in foreign exchange holdings to R1.71bn.

AMERICAN NEWS

Chile signs debt in effort to cut burden of interest

By Stephen Fidler

CHILE and its leading bank creditors yesterday began signing in New York a new debt package that envisages further significant reductions in the country's foreign debt burden.

The package also lowers the interest rate on the roughly $10.5bn of medium- and long-term bank debt. It falls to ⅞ percentage point – in line with most recent Latin American debt agreements – from one percentage point on restructurings of debt agreed in 1983, 1984 and 1985, and to ⅞ on new loans made in those years. Previously, the rate was one percentage point.

Chile, with 330 or so bank lenders, has been the most successful South American country in shrinking its bank debt, having reduced it by more than 20 per cent using debt-for-equity swaps and other schemes.

The new agreement envisages that these schemes will be extended, including for the first time specific agreement from the banks for the country to be able to buy back in the secondary market up to $500m of its own debt, or exchanging it for more senior, collateralised, debt.

The country's express intention is to start raising funds in the voluntary markets within a year or so, although some bankers view this as optimistic. It hopes to encourage potential lenders by, among other things, a programme which would collateralise new loans with Chilean goods.

Congressman found guilty in bribes case

A FEDERAL JURY yesterday convicted a veteran congressman and three others of racketeering, on charges that they turned a defence contracting company into an enterprise dispensing millions of dollars in bribes, AP reports from New York.

The verdict against Mr Mario Biaggi, a 10-term Democrat, came on the fifth day of deliberations.

The congressman and six others at the four-month trial were accused of using Wedtech Corp. as a racketeering operation to hand out large bribes to win no-bid government contracts set aside for businesses owned by ethnic minorities.

The trial, which began on March 11, generated nearly 20,000 pages of transcript over four months of testimony and a week of closing arguments. It grabbed national headlines and reached into the top echelons of government.

The jury rejected arguments that Wedtech did not need Mr Biaggi because the company had friends in President Ronald Reagan's White House, including Mr Edwin Meese III, the Attorney-General.

More than 130 witnesses were called, including four former Wedtech executives who testified for the Government in exchange for leniency. The four admitted bribing public officials, defrauding the Government and stealing from the company.

Prosecutors charged that Wedtech officials paid bribes in cash, political contributions, stock or stock options to Mr Biaggi and other politicians for their assistance with city and federal agencies.

The 70-year-old Mr Biaggi was convicted of all but one of 16 counts, including conspiracy, extortion, tax evasion and receiving bribes. He faces up to 20 years in prison on the racketeering counts, the most serious charges. Mr Biaggi is the 12th member of congress to be convicted of criminal charges or plead guilty to them during the past decade.

The jury also convicted Mr Stanley Simon, the former president of New York City's Bronx district; Wedtech Corp. founder Mr John Mariotta; former Small Business Administration official Mr Peter Neglia; and Mr Biaggi's former law partner, Mr Bernard Ehrlich, all of racketeering and lesser crimes.

Dukakis's doctor denies depression

By Stewart Fleming

GOVERNOR Michael Dukakis, the Democratic presidential candidate, has "never demonstrated any symptoms or signs" of depression according to his doctor of 17 years, Dr Gerald Plotkin.

To dispel rumours about Mr Dukakis's medical history Dr Plotkin appeared before a news conference in Boston on Wednesday night to deny that he had been treated for clinical depression several years ago.

The rumours said Mr Dukakis had experienced periods of depression in 1973 and 1978 and were fanned by President Ronald Reagan, who described him as "an invalid" on Wednesday in what he later claimed was a joke.

Dr Plotkin issued a detailed three-page statement on Mr Dukakis's medical history which showed that he had had no serious illnesses and that much of the medication he had received was for minor physical ailments, including foot pain suffered by the former marathon runner. But Mr Dukakis stuck to his refusal to release his medical records.

Mr Dukakis said: "I am a very healthy guy who takes his health very seriously." He keeps fit by taking vigorous walks carrying arm weights, sometimes accompanied by panting reporters who have been invited to interview him during his excursions.

Asked about Mr Reagan's remarks, Mr Dukakis, who has been seeking to contrast himself with the President by presenting himself as a competent leader, said he did not want an apology. "We all occasionally misspeak, governors and presidents as well."

Leaders of PMDB in behind-the-scenes compromise with Sarney

Deal agreed on Brazil constitution

By Ivo Dawnay in Rio de Janeiro

LEADERS OF the Democratic Movement Party (PMDB), Brazil's dominant political grouping, have agreed in behind-the-scenes talks to substantial changes to the country's draft constitution.

The compromises, which should eliminate several controversial clauses, suggest that the PMDB's claim that it defeated President José Sarney in a highly public clash last week over the document is a little stretched.

While the constitutional assembly voted overwhelmingly to approve the draft document, thereby giving a moral boost to PMDB president Ulysses Guimaraes, some of the Sarney administration's worst fears about its potential costs have been recognised in the final amendment stage.

If the private accord between PMDB managers and the Government is put into practice, an income-tax amnesty and the forgiveness of the debts of certain small farmers and businesses should be dropped.

These were estimated at billions of dollars in obligatory extra expenditure for the treasury and were probably the most important changes sought by Mr Sarney in his broadcast to the nation a week ago.

PMDB leaders also appear to have given ground on several elements in the social welfare and labour chapters of the draft.

But there remain considerable areas of dispute. In particular foreign companies based in Brazil are mounting a last-ditch attempt to alter provisions that would take mineral and oil exploration into Brazilian majority control and clauses that pave the way for the further "reserving of markets" and sectors exclusively for national companies.

A multi-million-dollar television and newspaper advertising campaign has been launched to supplement lobbying in Brasilia in an effort to stress worldwide trends towards intra-dependence between economies and other countries' open-door policies to foreign capital.

Despite these efforts, Mr Sarney, although a sympathiser with the foreign viewpoint, appears to have put protectionist pressures in the constitutional assembly low on his list of priorities for possible changes.

Few now believe that overseas mining interests will be able to muster sufficient votes to overturn articles forcing them, over a four-year, interval into minority participations. New oil risk contracts for foreigners also look likely to be banned.

For Brazilian industry, a major concern centres on provisions that would impose a maximum six-hour working day. Industrialists fear that if this is not thrown out from the final document, it will damage the competitiveness of continuous process sectors working the three-shift system.

Interim bank financing extended

By Stephen Fidler, Euromarkets Correspondent

AN INTERIM bank financing for Brazil has been successfully extended by the country's leading creditor banks, sending a strong positive signal about the likely success of a crucial bank rescheduling deal.

The interim financing, which was first agreed with banks last year and frees $2bn from the banks and $1bn from Brazilian reserves to clear last year's debt backlog, required the agreement of each of the country's top 115 bank lenders. That was forthcoming yesterday when the last outstanding bank, DG Bank of Frankfurt, indicated its assent.

The extension, confirmed yesterday by Mr William Rhodes of Citicorp, the chairman of Brazil's bank advisory committee, came a day before the so-called "early-bird" deadline for a medium-term package which comprises a $62bn (£36bn) rescheduling and $5.2bn in new loans.

Banks which commit to the package by midnight tonight gain an early-participation fee of ⅜ per cent, which falls to ⅛ per cent from tomorrow.

The strength of the response to the rescheduling deal before the early-bird deadline is viewed as an important indicator of its likely success. A "critical mass" of 90 per cent by value of the banks is needed before the medium-term package becomes effective.

However, the banks in the interim financing account for upwards of 80 per cent by value of the country's bank creditors, and they can now be expected to support the new money package.

Some banks, including some in Switzerland, seem likely to agree to participate in the new money package but not in the amounts being requested, however. Disagreements were expected because the base date, on which the new money contribution by each bank was calculated, was brought forward to 1987 and because a number of other reductions were allowed in calculating bank exposure.

Some banks do not agree that short-term exposure should be used in the base for the new money calculations. It remains to be seen whether these will constitute significant problems to the package.

Mr Rhodes said yesterday that the early returns from banks gave grounds for optimism about the rescheduling deal. He also described "scattered early returns" indicating a positive reception for the "exit bonds" in the package.

Brazil is offering up to $5bn of the 25-year bonds, which allow banks to escape any future debt negotiations, but which also reduce Brazil's debt servicing burden. If the initial response is followed through, it will be in sharp contrast to the previous rescheduling deal in which exit bonds were offered – for Argentina – when only three or four banks accepted the bonds.

The final approval of a standby financing for Brazil from the International Monetary Fund hangs on the success of the bank package, while reschedulings and an accommodation with the Paris Club of official Western creditors depends in turn ultimately on the IMF accord.

Sandinistas prevent opposition march

The left-wing Sandinista government has refused to allow an opposition labour federation to march on Sunday, the first anniversary of the Central American peace plan, AP reports from Managua.

The Interior Ministry said police decided on the ban yesterday "after analysing the last incident and its consequences."

At the last opposition demonstration, a July 11 rally in the southern town of Nandaime, police dispersed participants with tear gas and arrested about 40 people.

The incident led the Government to expel US Ambassador Richard Melton and 10 other US diplomats for allegedly inciting unrest; to shut down the nation's only opposition newspaper, La Prensa, for 15 days; and to take the Roman Catholic radio station off the air indefinitely. The Permanent Congress of Workers wanted to hold a march on Sunday to mark the anniversary of the signing by five Central American presidents of a regional peace plan known as Esquipulas II.

Mr Rolando Velazquez, an official of the Independent General Confederation of Independent Workers, which belongs to the labour federation, said the ban "totally violates the accords of Esquipulas II".

The peace accord aims at ending civil wars in Nicaragua, El Salvador and Guatemala.

Shuttle spacecraft test firing aborted

By Nancy Dunne in Washington

THE US space programme suffered another setback yesterday when computers aborted a test firing of the space shuttle Discovery's engines seconds before they were to ignite.

It was the fifth postponement of the engine test in two weeks, and it will probably delay the US's planned October return to space by at least another day.

Space officials were philosophical and insisted that such delays were to be expected. Mr James Fletcher, Nasa administrator, said: "That's why we have flight readiness firings – to work the bugs out of equipment before we launch."

The Discovery has been plagued by a leak problem as engineers have prepared the shuttle for final tests.

Fed appointment

The US Senate voted 90-3 yesterday to confirm the nomination of Boston banker John Laware to a 14-year term as a member of the Federal Reserve Board, AP-DJ reports from Washington.

Mr Laware, chairman of Shawmut National Corporation, is to fill a seat vacant since December 1986, when Mr Henry Wallich, a Nixon appointee, resigned for health reasons. All seven members of the Fed board have now been appointed by President Reagan.

Productivity declines

US non-farm business productivity fell 1.7 per cent in the March-to-May quarter of 1988 at a seasonally adjusted annual rate, AP-DJ reports from Washington.

The decline was the first quarterly drop since the October-to-December quarter of 1986, the US Labour Department said. Non-farm productivity rose 3.4 per cent in the previous quarter.

The Department said the decrease reflected a 4.7 per cent increase in output and a 6.5 per cent increase in hours worked. Unit labor costs rose 5.9 per cent at an adjusted annual rate compared with 0.1 per cent in the first quarter.

WORLD TRADE NEWS

Britain to take over troubled air missile project

By David White, Defence Correspondent

BRITAIN is to take charge of a troubled project for the joint development with West Germany of an air-to-air missile, part of a multi-billion-dollar US-European programme which has suffered delays on both sides of the Atlantic.

Under the management change, British Aerospace will become prime contractor in place of the West German-based joint venture, BBG. This company, owned half by BAe and half by Bodenseewerk Gerätetechnik, was being dissolved, BAe said, but the West German partner would remain as the main subcontractor.

Contracting authority for the weapon, known as Asraam (Advanced Short-Range Air-to-Air Missile), will pass from the West German authorities to the UK. In exchange, West Germany is to take over as "pilot nation" for proposed European work on the US-developed medium-range sister missile, Amraam.

The two missiles are destined to take over as standard Nato weapons from the medium-range Sparrow – Sky Flash in its British version – and the short-range AIM-9 Sidewinder.

Asraam was originally due for service in the late 1980s, but this has moved to the mid-1990s, with improved Sidewinders filling the gap. The two partner countries met difficulties in agreeing on the configuration of the wingless, infrared-guided missile, which completed its project definition phase last autumn and should have already entered full-scale development. Senior UK officials said recently that this was expected to take "a few more months".

BAe said that although it already worked with the West German partner on European production of the Sidewinder – the AIM-9L version incorporates a Bodenseewerk Gerätetechnik infrared seeker – the Asraam project had meant breaking new ground.

Italian textiles industry struggling to stay on top

By Alice Rawsthorn

THE Italian textile industry, for years the most dynamic in Europe, has reached a watershed in its fortunes, according to a study by the Economist Intelligence Unit.

A surge of imports and sluggish exports led the balance of trade in Italy's textile and clothing industries to fall by 4 per cent to L12,594bn (£6bn) in 1987. In the clothing sector the balance of trade was reduced for the first time in the 1980s.

In the 1960s and 1970s Italy emerged as a powerful force in the European textile industry. The indigenous flair for design, coupled with sustained investment in automation, enabled the Italian industry to become the largest in the European Community, providing a third of both output and employment in textiles.

But last year Italian textile and clothing companies found it increasingly difficult to compete with overseas rivals.

First, the decline of the US dollar and related Far Eastern currencies accelerated the influx of imports from Taiwan, Singapore and South Korea into Italy and its export markets. This meant that the Italians faced pressure both at home and abroad.

Second, an increase in labour costs eroded their competitiveness against other European producers such as Spain, the UK and France. The emergence of Turkey as a big textile exporter to the EC also posed problems.

As a result the Italian industry suffered intense competitive pressure throughout 1987, especially in the clothing, wool and silk sectors. That pressure has continued in the opening months of 1988 and, according to the EIU, poses a serious problem for the future.

"Profile of the Italian Textile Industry," by Madeleine Lewis, £60, Textile Outlook International, EIU, 40 Duke Street, London W1A 1DW.

World Bank steps into Egyptian tourism row

By Peter Montagnon, World Trade Editor

A LONG-STANDING investment dispute between Southern Pacific Properties (SPP), a Toronto-based tourism development consortium, and the Egyptian Government could be resolved soon following a ruling by a special dispute panel established under World Bank auspices.

The panel, formed under the aegis of the bank's International Centre for the Settlement of Investment Disputes (ICSID), has ruled that it does have a right to arbitrate in the dispute, which goes back to 1975, when Egypt abruptly withdrew authorisation to SPP to construct a luxury tourism complex outside Cairo.

Withdrawal of the licence came only a year after SPP had been invited by the then Government of President Anwar Sadat to build the complex. SPP claims it suffered losses amounting to $30m (£17.6m) and has been trying to recover its money.

Egypt, which is a member of ICSID, had argued that the World Bank body had no right to intervene in the affair, but ICSID's ruling means that the way is finally open for a settlement, according to lawyers who have followed the case.

The ruling could also open the way to the settlement of other long-standing disputes between western companies and Egypt. This would set Egyptian foreign investment rules on a more secure international footing, they added.

SPP sought the help of ICSID on the grounds that Egyptian domestic law provided for this type of international arbitration in the case of disputes involving foreign investment. Egypt had earlier refused to recognise a ruling in SPP's favour by the International Chamber of Commerce.

Though ICSID has few practical means of enforcing its ruling, legal experts believe Egypt will now come under strong moral pressure to settle the dispute. It has yet to make an official response.

World Bank officials declined to comment on the case. Under the rules of ICSID, established in 1965 to deal with foreign investment disputes, the Bank may not publicise details of its rulings.

Thai boom brings problems in its wake

Richard Gourlay finds Bangkok's infrastructure cannot cope with rapid growth

MRS Thatcher is likely to warm to Thailand on her first visit this weekend, not least because its increasingly confident business leaders and technocrats are so clearly cut from the same free enterprise block.

In June Imperial Chemical Industries defeated Amoco and Mitsui for important Board of Investment (BOI) privileges to set up a £100m plant making purified terephthalic acid (PTA), a key ingredient in polyester destined for expanding textile exports.

Barring unforeseen changes of heart – including any by the emerging government of Prime Minister-elect Chatichai Choonhavan – ICI should join Solvay, Mitsubishi, Mitsui, Dow Chemical, Lever Bros and numerous Thai companies in the second phase of an import-substituting petrochemical industry.

The $1bn (£585m) project, and the rest of Eastern Seaboard Development near Bangkok, for which petrochemicals is the cornerstone, has developed at such breathtaking speed that the country's planners have been caught off-guard.

Nearly six years ago, Thailand started planning to use natural gas from its fields in the Gulf of Thailand to produce feedstock for a cracker that will make olefins (ethylene and propylene) for the plastics industry. Ground was broken in January for what is known as the National Petrochemical Corp (NPC1) project.

But only nine months have passed since the go-ahead was given for the second phase, called NPC2, involving production of more olefins and also aromatics, like toluene, benzene and the xylene from which PTA is derived.

The award of BOI privileges in June has determined the shape of the intermediate and downstream producers in NPC2, but the Government is still studying whether the upstream aromatics plant should be built and if so who will win it.

Ports, industrial parks, export-processing zones, new towns and a fertiliser plant were also planned, with a total private and public investment of $4bn. All except the fertiliser plant have gone ahead or are about to do so.

The cracker is being built by Japan's Toyo Engineering and will come on stream in late 1989, while construction of two of the four associated downstream ventures will be completed in a year. Meanwhile ICI is negotiating with potential Thai partners, who will own 60 per cent of the 205,000-tonne plant at start-up in 1992.

The Eastern Seaboard projects and the expected 9 per cent gross domestic product growth this year have spawned a host of problems, the size of which planners had simply underestimated. Most immediate is the severe strain on infrastructure imposed by two years of 30 per cent growth in exports.

Government agencies already want more commercial rail capacity to the deep sea port being built at Laem Chabang, so it can handle 70 per cent of the country's container traffic rather than the planned 25 per cent. Before the port opens in 1991, planners – or rather, crisis managers – are considering reactivating the abandoned US military port further south at Ban Sattahip, 80 miles from Bangkok.

The capital's Klongtey port is already bursting at its seams and new freight-handling facilities at Donmuang airport are expected to be inadequate.

Other problems in the area include a 300 per cent higher increase in land prices due to speculation near the sites of new towns at Laem Chabang and Map Ta Phut, insufficient planned fresh-water supplies, a potential lack of telephone lines in 1991 and an unclear system of energy transfer between the big industrial energy producers and consumers in NPC, surrounding industry and the Electricity Generating Authority of Thailand.

Clearly, Thailand's capable planners are being severely stretched. Many of the problems stem from a shortage of capital for infrastructure development – NPC2 is a minimal drain on the Treasury, as the 11 projects are privately owned, unlike NPC1 which is a 49 per cent government corporation. If the Government lifted its self-imposed annual borrowing limit from $1.2bn there would still be long lags before the infrastructure was in place.

Thornier medium-term issues that are becoming more pressing as industrialisation gathers pace include the reform of tariff structure and the tax system. For example, the Government's four downstream partners in NPC1 are tied to buying olefins from the cracker, which uses relatively expensive indigenous gas.

Downstream producers in NPC2 – Solvay's polyvinyl chloride operation, for example – do not yet know if they can import cheaper feedstock or, more likely, what level of protective tariffs NPC1 olefin producers will be granted and for how long.

An industry/government committee is expected to iron this out. Thailand has to decide whether to opt to keep relatively high tariffs, with a complex system of tariff drawbacks for re-exporters, or to reduce them gradually.

In any case, the Government's tax take from tariffs is likely to fall as import substitution moves ahead, either because tariffs are lowered or because less is imported. But Thailand's tax structure, like that of many developing countries, is still dependent on tariffs and consumption taxes rather than direct taxation.

The World Bank, among others, advocates a value-added tax to replace consumption taxes which are applied at each stage of production. Such "cascading" taxes often lead to vertical integration of operations which makes good tax sense but distorts economic allocation of resources, the bank says.

Strong resistance from the significant segment of Thai business that remains outside the tax net has, however, already led to a number of postponements of a VAT.

Many developing countries, offering more and more competitive investment incentives, would love to have Thailand's problems. With Thailand so attractive to investors, the BOI no longer needs to give away as much, a simple lesson in supply and demand that Mrs Thatcher would appreciate.

Ironically the lesson comes to some extent at the expense of British industry. In order to secure the BOI privileges, ICI entered into a Dutch auction with Amoco and Mitsui, in which it eventually lost four years of tax exemption.

Asians more sad than angry over US trade bill

By Our World Trade Staff

ASIAN nations reacted more with sadness than anger at the prospect of a tougher US trade stance after Congress passed a sweeping new trade bill.

The bill, which calls for sanctions against trading partners with unfair barriers to US goods, now awaits President Reagan's signature to become law.

Some Asian leaders said they hope Mr Reagan will veto the bill as he did an earlier version, but the White House has said the President considers the bill responsible and will sign it.

Few of the measures contained in the bill are seen as directly affecting Hong Kong, and though officials there do not welcome the legislation, they said its passage could dampen protectionist sentiment in the US and thus help head off potentially more damaging legislation.

However, fears were expressed that the workings of Gatt may be undermined by the bill.

"We are concerned that some provisions in the trade bill represent bilateral thinking, and could undermine the multilateral talks in the Uruguay Round of Gatt," commented Mr Christopher Jackson, the territory's Assistant Director of Trade for North America.

Given its record on free trade, Hong Kong has little to fear from the market access provisions in the bill. With regard to the issue of exchange rates, officials believe Washington understands that the Hong Kong dollar is linked to the US dollar to avoid exchange rate volatility and not for reasons of trade advantage.

Mr Lawrence Mills, director general of the Federation of Hong Kong Industries, said it was "probably in Hong Kong's interests for the bill to be passed."

In South Korea, Trade Minister Ahn Byong-hwa regretted the enactment of the trade bill. It would make it difficult for the South Korean Government to expand bilateral trade.

Such a protectionist law would damage the international free trade system, he added. "We strongly urge, once again, that the President veto the bill."

A senior Taiwanese trade official said the bill would be powerful because it enabled the US to retaliate against foreign trade barriers. "It is protectionist, but we cannot appeal to Gatt, like Japan or other countries, because we are not a member," he said. "We will regret it if President Reagan signs the bill."

But he said the bill would encourage Taiwan to open its markets wider and remove trade barriers more swiftly.

Mr G. Ramachandran, president of the Singapore Federation of Chamber of Commerce and Industry, said the bill would have little impact on Singapore because it has no restrictions on US imports.

In Peking, the Ministry of Foreign Economic Relations and Trade had no immediate comment but China in the past has attacked the limits imposed on its exports of textiles and garments.

GEC wins turbine orders for coal-fired stations

By Nick Garnett

GEC HAS swept the board in competition with Northern Engineering Industries in the supply of turbine generators for the first three of the UK's planned new generation of coal-fired power stations.

The Central Electricity Generating Board announced yesterday that GEC Turbine Generators had won the design and build order for four 900MW turbines to be installed at the proposed power stations at West Burton, Nottinghamshire and Kingsnorth, Kent. The total turbine contract is likely to be worth £180m to £200m.

GEC secured two months ago the order for the two 900MW turbines for the proposed power station at Fawley, near Southampton, in a deal worth about £90m.

The announcement yesterday is a bitter blow for NEI and for its Parsons turbine plant near Newcastle-upon-Tyne. The CEGB said both NEI and GEC had offered fully acceptable engineering proposals.

GEC said it won the order because it had made the best offer. However, the decision also seems to indicate that the CEGB wants to standardise procurement of individual types of equipment on individual companies. GEC also won the previous turbine order for Sizewell B.

NEI's International Combustion division secured in the summer the order for boilers for Fawley B. Bids for the boilers for West Burton and Kingsnorth, for which NEI is competing with FKI Babcock, are due to be received by the CEGB in September.

The decision to proceed with West Burton and Kingsnorth will be taken by the successor companies to the CEGB. The decisions will not be made before 1990. If the stations are built they will not be completed until the mid-1990s.

Planning consent for West Burton has already been applied for by the CEGB. It will almost certainly apply for consent for Kingsnorth and West Burton later this year.

The winning by GEC Turbine Generators of the last four CEGB contracts for turbines totalling 6000MW will help the Rugby-based company maintain its position as one of the world's leading turbine suppliers.

The company has won orders for 50 power station turbines in the past ten years, 18 of which have still to be manufactured.

Generating board misses profit target for year by £175m

By Maurice Samuelson

NUCLEAR power stations in England and Wales last year produced only two thirds of the electricity for which they were intended, forcing the Central Electricity Generating Board to spend about £150m on alternative fuels, mainly oil and coal.

The board also blamed the cost of nuclear fuel reprocessing for the fact that its trading profit, at £579m, was £175m below its target for the year.

The figures appeared when the CEGB issued its last annual report before it starts rehearsing for its privatisation into two private generating groups and a separate National Grid company.

Sir Philip Jones, chairman of the Electricity Council, the industry's umbrella body, announced at the same time that electricity prices were likely to go up on April 1 next year when the industry would have a higher financial target to meet.

He and Lord Marshall, CEGB chairman, were speaking at a joint press conference in London to present the industry's results for 1987-88.

The reports of the 12 area distribution boards, which handle retail electricity sales in England and Wales, were published separately. For the first time, several of these future public limited companies circulated their results nationally rather than just locally.

Sir Philip reported that record electricity sales last year helped the industry to meet a three year target agreed with Government of an average annual return of 2.75 per cent on average current cost net assets, equal to 13.9 per cent in historical cost accounting terms.

However, while several area boards over-achieved their targets, the CEGB earned only 2.26 per cent on its assets last year compared with a target 3.3 per cent. For the three years the CEGB's return averaged 2.5 per cent a year compared with the 2.7 per cent set by the Government in December 1984.

Wide differences also emerged in the trading performance of individual area boards. East Midlands Electricity last year earned a record 4.9 per cent return on assets, averaging 4 per cent for the three years, or 18 per cent in historic accounting terms.

South Wales Electricity last year achieved a lower target of 2.31 per cent, but still achieved its target for the three year period.

Observer, Page 12; Lex, Page 14

Rothschild biotech fund shifts focus from US to Europe

By David Fishlock, Science Editor

N. M. ROTHSCHILD, the merchant bank, is planning to switch the focus of its biotechnology investment fund from the US to Europe.

The bank intends to stimulate new European ventures following its success in backing 50 biotechnology start-up projects since 1981, mostly based in the US.

Lord Rothschild, the Cambridge biochemist and chairman of Biotechnology Investments (BIL), said he believed there were "hidden jewels" lurking in European universities, while first-rate US opportunities were becoming harder to find.

BIL specialises in biotechnology and health-care shares, and is evenly divided between quoted and unquoted investments.

Lord Rothschild said he believed biotechnology "would continue to be one of the most industry-transforming technologies during the next 30 years."

Ironically, BIL's decision to focus more effort on Western Europe follows a year in which it received a record number of unsolicited invitations to invest in unquoted US shares.

It reports proposals from 207 unquoted investments last year, including 162 from the US, compared with a total of 101 unsolicited proposals in 1986. Britain yielded 29 proposals last year compared with 14 from the rest of Europe (including eight from Israel).

Mr Jeremy Curnock Cook, who joined BIL as investment manager this year, said it was launching a "seed" investment scheme to try to catalyse opportunities in Europe, for what he claimed was the "best-informed, most efficient, most innovative investor in the business".

Mr Cook said he could not be sure there was a European biotechnology market seeking venture capital. "But nobody has looked properly."

The seeding would start in the UK, but Mr Cook added: "Europe will follow if the UK test works." He stressed, however, that project proposals would still have to pass BIL's stringent tests. US experience had taught the fund that the most common weakness was the quality of the people involved in generating new ideas, rather than their proposals for new companies.

Mr Cook said he thought that "less intelligent" money was entering the US venture capital market, chasing biotechnology deals which were not increasing in number.

Investigators accuse Visa and Access of operating monopoly

By David Barchard

THE MONOPOLIES and Mergers Commission has told members of the Access and Visa credit card organisations that it believes them to be operating a monopoly.

Letters informing the credit card organisations of this and inviting them to submit a formal response have been sent out this week by the Commission, which is expected to report next May. The current investigation into credit cards is the second of its kind in less than a decade.

The Commission has been investigating claims that credit card issuers make excessive profits and proposals that shops should be allowed to make an extra charge for accepting a credit card if they wish to do so.

The major credit card organisations appear highly sensitive to allegations that they make excessive profits, refusing to disclose exact details of their earnings in the balance sheets of their parent banks and lumping profits from credit cards together with unrelated retail activities.

All the major issuers belonging to the Visa and Access Payments systems have been sent the Commission's Public Interest letter. This follows their own preliminary submissions to the inquiry, delivered early this year.

A market share of 25 per cent of the national credit card network of merchant outlets is regarded as the threshold for a preliminary assessment of a monopoly by the MMC.

Many of the banks and other institutions which have been sent the letter have a market share well below this level, but the Commission regards them as operating a monopoly because they work jointly with other card issuers through organisations such as Visa and Access.

The largest share of the merchant network belongs to Visa, which has 55 per cent of the national total. Members of the Joint Credit Card Company, which issues Access cards, have around 45 per cent.

The largest single issuer is Barclaycard, with a 35 per cent market share. It is well ahead of the next biggest Visa issuer, Trustcard, which has 14 per cent.

Even newcomers to Visa, such as Halifax Building Society, which last month became the first building society to issue its own credit card, are expected to receive the commission's letter this week.

Lloyd's resignations may reach 1,700

By Nick Bunker

AS MANY as 1,700 members might eventually resign from the Lloyd's, the London insurance market this year, according to a tentative forecast yesterday by Mr Alan Lord, chief executive of the Corporation of Lloyd's, the market's central secretariat.

Only about 1,100 new members are expected to join, Mr Lord said, confirming the view of commentators who have predicted that the market's underwriting membership would contract for the first time since the late 1960s, when Lloyds was reeling from the impact of hurricane losses in the US.

Reasons cited by observers for the resignations this year are that members of Lloyd's have been frightened by reports of big potential losses from US liability insurance, and that the tax advantages of membership have diminished.

Speaking at a press conference, Mr Lord said that up to August 3 notices of resignation had been handed in by 1,064 members. Of that figure, 233 were so-called working members, who are employed in the market, and the remaining 831 were external members with no direct professional involvement there.

The figures support the view that there has been a rush of applications to leave in the last five weeks. On July 29, Lloyd's said 480 resignations had been received, but by July 15 the figure was 744, with another 206 saying they intended to quit.

Mr Lord said that on the basis of extrapolating from trends from 1987, the resignations could total between 1,500 and 1,700 by the end of this year. He emphasised that his forecasts were speculative.

Ex-partners were 'unfit'

By Nikki Tait

Mr Tony Rudd and Mr Gerald Kelly, two ex-partners of Rowe Rudd & Co, the former stockbroking business which sprang to some prominence in the late-1970s and early-1980s, were yesterday described as "totally unfit to be directors of any company whether private or public" by a Department of Trade and Industry report.

The report into the affairs of Greenbank Trust – a small investment trust which was used by Mr Rudd, Mr Kelly and their associate, Mr Malcolm Postgate, as the vehicle for a new financial services enterprise in 1981 – was completed by DTI inspectors three years ago.

However, its publication has been delayed by the question of legal action. The DTI said yesterday that civil proceedings by the Official Receiver were still continuing, but it is understood that the Director of Public Prosecutions will not be taking criminal proceedings.

Clowes further remanded by court

By Raymond Hughes, Law Courts Correspondent

MR PETER CLOWES, head of the collapsed Barlow Clowes fund management empire, was remanded on bail until January 9 when he made a brief appearance at Guildhall magistrates court in London yesterday.

He is charged with perverting the course of justice by the destruction of documents and the creation of false documents.

Mrs Helen Garlick, prosecuting for the Serious Fraud Office, said that the long adjournment was needed because inquiries would be continuing.

Mr Clowes was remanded on £300,000 bail, on the same terms as were imposed at his first court appearance on June 6. One of the conditions requires him not to contact past or present employees of Barlow Clowes Gilt Managers or Barlow Clowes International "except at the behest of and in the presence of representatives of Cork Gully and D. J. Freeman & Co."

Cork Gully, the accountancy firm, is the High Court-appointed special manager of BCGM. D. J. Freeman & Co is the solicitor for the special manager.

Other conditions are that Mr Clowes must not contact past or present clients of BCGM or BCI and not, except with the permission of the Serious Fraud office, contact past or present intermediaries.

● An order freezing up to £7m of the assets of Ryeman, a company based in the British Virgin Islands that has been linked with the Barlow Clowes affair, was continued by the High Court yesterday.

Ryeman has been joined as a defendant in an action in which it is being alleged that Mr Guy Cramer, a Leeds businessman, and companies associated with him, received loans from money invested in Barlow Clowes International, the Gibraltar arm of Mr Peter Clowes's fund management empire. Mr Cramer denies the allegations.

Lawyers for BCI and the receivers said yesterday that a freezing order had also been obtained against Ryeman in the Isle of Man.

Chemical sells UK mortgage portfolio

By David Barchard and George Graham

BANQUE National de Paris, the second largest French banking group, said last night that it had bought Chemical Homeloans, the UK mortgage subsidiary of Chemical Bank.

CHL has a net mortgage portfolio of just under £1bn and a 1.9 per cent share of the UK home loans market. The price paid by BNP has not been disclosed but is believed to be in the region of £32m.

The sale reflects the changing market positions of the large US and European banks. Chemical Bank's decision to sell its CHL, its only retail operation outside the US, follows a similar move in 1986 by Bank of America when it sold its mortgage book to the Bank of Ireland.

BNP is following a lead already given by other French banks such as Credit Agricole and Compagnie Bancaire which have set up subsidiaries in the UK to sell and administer mortgages in preparation for the emergence of a single European financial market after 1992.

BNP, the largest state-owned French bank and second in France only to the Credit Agricole confederation, is already present in the UK market in corporate banking through its subsidiaries BNP Capital Markets and Ark Securities, a London equities dealer.

Mr Jacques Wahl, managing director in charge of international activities, said last night: "We were interested in the UK mortgage market, and at the same time the UK is ahead of the continent in experimenting with new mortgage techniques, especially the endowment mortgage."

Endowment mortgages are as yet little known elsewhere in Europe.

Regulatory bodies discuss merger

By Richard Waters

TWO OF THE City's five self-regulatory organisations have come close to merger just three months after the investor protection regime they were set up to police came into force, it emerged yesterday.

The proposed merger, between the Life Assurance and Unit Trust Regulatory Organisation (Lautro) and the Financial Intermediaries Managers and Brokers Regulatory Association (Fimbra), was prompted by the dire financial position of the latter. However, the plan has been suspended following Lautro's refusal to accept the terms of the deal.

The move has thrown into question at an early stage whether the investment industry needs five separate institutions as well as a chief regulator, the Securities and Investments Board.

A merger of Fimbra and Lautro could spark the creation of a new super-regulator also encompassing the Investment Management Regulatory Organisation (Imro). The latter already shares premises and some staff with Lautro. The possibility of a merger has been raised in the past, but Mr Malcolm Reid, chief executive of Lautro, said the discussion had been suspended for at least a year to allow the new regulatory system to settle down.

Lautro's decision not to proceed with the Fimbra merger, was due mainly to uncertainty about the latter's financial position. One plan under consideration is that it should levy a charge on all products bought by its members' clients. This would get around the problem that, until now, it has been the only SRO whose members are unable to pass on the costs of regulation to the final consumer, said a Fimbra spokesman.

Britain facing £10bn deficit until 1993, forecasters say

By Ralph Atkins, Economics Staff

BRITAIN WILL have an annual current account deficit of £10bn or more from next year until at least 1993, the Henley Centre for Forecasting predicts in its latest report.

The Government's policy of high interest rates to control inflation will have little impact on the trade problem, says Mr Glenn Hoggarth, chief UK economist at the centre.

"The only way higher interest rates will succeed in reducing the deficit is if they push the economy into recession," he says. The Government's concern about inflation is "misplaced". There are few signs of a sharp rise in the near term, he adds.

The report forecasts that short-term interest rates will average just under 10 per cent this year, but rise to 11.3 per cent in 1989 and 11.7 per cent in 1990. In the following three years they will be at 12 per cent or above.

The current account deficit is expected to total £9.7bn in 1988 and £11bn in 1989. That compares with £1.7bn in 1987.

A retail price inflation rate of 4.4 per cent is expected in 1988, rising to 5.3 per cent next year. It is forecast to remain below 6 per cent up to 1993.

Mr Hoggarth says structural problems in the UK economy are contributing to the trade deficit. Increasingly, overseas customers are choosing to buy goods from other countries than the UK.

British consumers are also choosing to buy foreign goods. He says: "Three pounds out of every £10 now spent goes on imported goods, against only £2 in every £10 in the early 1970s."

He adds: "There is no obvious painless mechanism why this imbalance between UK exports and imports should rectify itself. The longer the large trade deficits persist, the more the British economy is open to a run on the pound and a take-off in inflation."

Mr Hoggarth says a better policy for the Government will be to lower interest rates slightly so that exports can benefit from a weaker pound and introduce direct controls on borrowing to moderate spending growth.

The Henley Centre forecasts the UK economy will grow by 3 per cent this year and then about 2 per cent a year until 1993. Investment expenditure is projected to increase by 8.5 per cent this year but by just 1.3 per cent in 1989.

Confidence high on Merseyside

By Ian Hamilton Fazey, Northern Correspondent

THE ECONOMY of Merseyside, in north-west England, which usually lags behind the rest of the UK during upturn and falls faster when times are bad, is showing unprecedented levels of corporate liquidity and confidence.

According to the latest survey by Merseyside Chamber of Commerce and Industry, cash-flow improved dramatically in the second quarter, with only 5 per cent of businesses recording a worse position than three months previously. Usually, about a fifth of businesses report downward fluctuations between quarters. The proportion of businesses reporting improved cashflow went up from 16 per cent – a typically normal level – to 36 per cent.

Confidence is higher than recorded for many years, with 71 per cent of businesses expecting increases in turnover and 76 per cent predicting higher profits. The percentages of businesses forecasting that sales and profits would fall were in single figures for the first time – normal levels are in the 30-40 per cent range.

This was in spite of a halving to 12 per cent of the proportion of businesses working at full capacity. The survey shows 56 per cent at 80-100 per cent capacity and 31 per cent at 60-80 per cent.

Mr Keith Robinson, chamber director, said yesterday: "The trend looks very strong but I am worried about the capacity figures. Do they mean that there may be a slowdown in the autumn? The strength of sterling and higher interest rates won't help. A surge in export orders at the beginning of the year now seems to have stopped dead."

However, expectations in the last survey that there would be more jobs as a result of present buoyancy proved fully justified, with 57 per cent taking on more people compared with 16 per cent shedding them, but there was less optimism about new jobs for the third quarter.

Skill shortages were widespread, with 27 per cent of businesses having trouble recruiting a wide range of workers from bricklayers, time-served craftsmen, hotel receptionists and tool operators, to architects, accountants and opticians.

More businesses were revising investment budgets upwards – with only 4 per cent moving in the opposite direction – possibly suggesting greater future use of labour-saving plant and machinery to overcome skill shortages.

Materials research body set up

By David Fishlock, Science Editor

A COMMISSION to fund about £15m of university research into advanced engineering materials has been set up by the Science and Engineering Research Council.

It is Britain's first national initiative in the development of these materials.

The materials commission will have an extra £2.7m for two new research centres, with prospects for two more soon.

Professor Colin Humphreys, of the Department of Materials Science at Liverpool University, will head a commission which includes research executives of companies such as Rolls-Royce, Pilkington, Unilever and British Telecom, and an equal number of academics.

Professor William Mitchell, chairman of the Science and Engineering Research Council, said it was an important step in the strategic science programme.

He said the Ministry of Defence and the Department of Trade and Industry would be invited to sit on the body.

The commission would be responsible for funding the new inter-disciplinary research centre in Cambridge for high-temperature superconductors, and another studying novel electronic materials, to be set up at Imperial College, London.

Two more laboratories may be set up next year, for polymer science and materials and high-performance materials.

Prof Mitchell said the most important scientific target would probably be "atomically designed" structural and electronic materials.

It was now possible to design materials with the desired engineering properties, and synthesise them by laying down a sandwich of different substances only a few atoms thick.

Prof Humphreys said a former chief scientific adviser to the US Government had concluded that materials were "probably the most important subject in the US today," and in Japan the Ministry for International Trade and Industry had identified advanced materials as one of three priority areas of new technology.

The commission would be setting research priorities, and tackling opportunities such as designing computers through the "atom-by-atom" approach to creating novel materials.

MANAGEMENT

Imperial Tobacco

Feeling the Hanson treatment

A shake-up of the industrial conglomerate's cigarettes subsidiary is aimed at boosting return on capital rather than market share in the short term. Lisa Wood explains why

Ron Fulford, chairman of Imperial Tobacco, the cigarette and cigar business bought by the Hanson conglomerate two years ago, is a dour man. But he laughs at the suggestion put forward by some of Imperial's competitors that his job is simply to "milk" Imperial for the Hanson coffers.

The other companies operating in the declining UK tobacco market base their suggestion on Fulford's approach to slashing Imperial's cost base. They say there are no visible signs of a strategy for reversing Imperial's declining market share – it is now down to 36 per cent and the company has this year been surpassed for the first time as market leader by Gallaher.

Fulford, a seasoned Hanson campaigner, having led the rationalisations at two previous Hanson acquisitions – British Ever Ready and London Brick – says: "What we are doing at Imperial is strengthening the business, not milking it."

Imperial Tobacco, which last year contributed about £140m to the Hanson group, around 20 per cent of its total operating profits, was acquired in the £2.5bn acquisition of Imperial Group in April 1986.

The core business of Imperial Group was tobacco; its diversifications included Courage, the brewer, and the ill-fated US hotel and catering group, Howard Johnson, which was eventually sold to the Marriott Corporation.

In 1975 Imperial Tobacco commanded about 66 per cent of the UK cigarette market. This had dropped to 52 per cent by 1980 partly because of Imperial's lack of successful investment in king size brands; tax changes introduced by the European Community in 1978 adversely affected makers of standard-sized cigarettes such as Imperial and helped established manufacturers of king sized brands such as Gallaher and Rothman.

A renaissance of Imperial's tobacco business started in the early 1980s when plant was closed, investment was made in new machinery and the introduction of new king size brands enabled sturdy price increases to be imposed. Performance improved – between 1980 and 1985 the operating profit of Imperial Tobacco increased from £84m to £125m with profit margins increasing from 3 per cent to 5 per cent.

Imperial Tobacco's attraction to Hanson, which sold off other Imperial activities such as Courage to Elders IXL, were three-fold. It operated in a mature low technology sector, had a strong cash flow and had a capable middle management.

Fulford and his team, which included Collinson Grant Consultants, spent three months looking at the operations of Imperial before making any moves. "We locked ourselves in the boardroom and studied the business," says Fulford.

It was an approach that did not endear the Hanson team to the incumbents at Imperial. One former employee says: "Imperial had a paternalistic tradition and was committed to communicating with its employees. Suddenly there were all these outsiders who made no effort to communicate their intentions. There was a growth of suspicion."

'What we are doing at Imperial is strengthening the business, not milking it'

On the Hanson side there was an acknowledgement of some achievements by the former management. Hugh Dayton, a director of Collinson Grant who was part of the evaluation team says: "There was a lot that the previous management had done well. They shrank the company, managed to hold unit costs and invested heavily in new technology. There were also a lot of good middle managers."

Comparisons with Ever Ready and London Brick are constantly made by Dayton and Fulford although Imperial's new chairman insists: "In each instance we did not have a premeditated plan."

Nevertheless, Fulford's evaluation of what needed to be done at Imperial has followed a predictable pattern. This involves a slashing of overheads, a dismantling of central administration systems and the replacement of the top centralised management by one which is decentralised and incentive-motivated. "Structure is the main dynamic of a business," says Fulford. "The structure we found here made it impossible for ingenuity to emerge."

A first target was the former board and the staff at the Bristol head office. Whereas there were 1,060 head office jobs in 1987 there are now 260. Many senior executive jobs disappeared in the shake-out of responsibilities. Other executives chose to leave.

The majority of management job losses at headquarters came from the break-up of central functions, with an estimated saving of £25m. Functions such as accounting have been devolved, some legal services have been sub-contracted and while a core personnel activity has been retained to handle company-wide employee relations, line managers are being asked to assume more responsibility for their employees.

In devolving activities such as accountancy, where there was duplication at local level, the Hanson team allocated the cost among the operating units. They then halved that amount before giving it to the operating division and told them to show a saving of 20 per cent on existing overheads. Fulford says: "We are trying to create autonomous units where the managements feel they are really responsible for the business."

Fulford says: "Since September factory managers have sold their output to the trading divisions at transfer prices which are frozen for a fixed period. Unit costs have to be held so if sales decline and inflation increases, the management of the factory has to introduce greater efficiencies."

He declines to elaborate on how exactly the managers achieve this difficult task but says the strategy has never failed at Ever Ready and London Brick. Labour is the largest single cost and some 800 hourly paid and 70 supervisory jobs have been lost in the past two years at Imperial. More job losses are in the pipeline.

In addition unions are being asked to investigate the possibility of the introduction of greater flexibility among workers.

Fulford says it is too early yet to claim significant benefits through job losses and good housekeeping among the line managers. But he says a similar strategy at Ever Ready resulted in productivity going up by 70 per cent over five years.

Merice Hamblin, branch secretary of MSF, the general technical union, takes a pragmatic approach. "We have seen a progressive loss of jobs in the industry since 1982 because of falling sales and new machinery," he says. "Hanson may have speeded up that process but the trend was there."

Hanson's push for greater efficiency has also extended into sales and distribution – formerly run from the centre's national accounts department. Since April three new regional trading divisions have been introduced.

The proposition is that while the central function is well placed to arrange contracts the three trading divisions are better placed to respond to the needs – such as promotion – of their local customers.

A comprehensive marketing strategy for the group has been slow to emerge. A first strand was the combining of the sales forces of the Wills and Player brands – the strategy being that selling a total range should enable representatives to compete with a wide range of brands and prices.

Fulford also wants his salesmen to focus on key brands. He inherited a huge portfolio of cigarettes, cigar and hand-rolling tobaccos – too large for today's competitive conditions. A quick cull – probably not the last – resulted in the delisting of 29 pipe tobacco brands, 21 hand-rolling tobacco brands, 8 cigar and 20 cigarette brands including John Player Special 100s and Regal 100s.

All the brands involved were low volume with a small market share.

Fulford points out that the rationalisation will exacerbate Imperial's ailing market share in the short term. He declines to forecast when he believes the fall in market share will be arrested. "It took us five years at Ever Ready," he says. "There are some people here who think we can do it faster than that."

Return on capital employed, rather than market share, is a Hanson preoccupation. Nevertheless, the issue of market share has to be addressed – at its crudest a decline in market share leads to increased unit costs.

Ron Fulford: "Structure is the main dynamic of a business"

Throwing more money behind the brands is not a strategy Fulford finds attractive and marketing spend is at 1985-1986 levels. He admits that a marketing strategy – that is the mix of brands and their price positioning – has not yet been devised. "We will be rather like Guinness and Distillers – thinning out brand portfolios and concentrating on fewer, more strongly advertised brands. Just pouring more money into advertising is not the right solution – we must have the right products."

Lowe Howard-Spink and Bell, the advertising agency, has been hired to assist with the evolution of this strategy in tandem with the research and development department within Imperial.

It is an R&D facility which has been halved in size – a development which has not passed unnoticed by Hanson's critics in the industry. Fulford says: "We had criticisms at Ever Ready for a similar cutback in R&D. But there had hardly been a new product for ten years. However, after our re-organisation at Ever Ready the range changed within two years."

At Imperial elements of five or six departments previously involved in R&D have been brought together into one team. Several activities are being run down. For example, in the past Imperial was looking for products other than tobacco which would appeal to smokers. Investment was large and success was limited. Fulford says: "You cannot escape from problems. Our task is to improve cigarettes, make them tastier or whatever." Not that Fulford would claim that the Hanson team – conspicuous in the tobacco industry as non-smokers – would have any particular skills to bring to leaf blending. "We see our job as harnessing the resident management to take decisions that might be painful," says Fulford.

In a few years' time, he predicts, he and his team will be redundant at Imperial with the in-house management, tutored in the ways of their parent company, running the business. And Fulford – where will he be? Probably knocking the next Hanson acquisition into shape.

Who knows who really cares?

Michael Skapinker on conflicting views of prevailing levels of customer service

When a market research organisation asked people if they could name a British company that looked after its customers, many were stumped for an answer.

Thirty-one per cent said that retailers Marks and Spencer provided a good level of service. Eight per cent named British Airways. No other company was cited by a significant proportion of respondents.

The remarkable feature of the poll is that the respondents were not members of the general public but senior British managers – whose responsibilities included customer service.

The survey of 154 managers was carried out by Consensus Research for the management consultants Ernst and Whinney. The managers worked in retailing, financial services, transport and travel, and the public sector.

Despite their dismal view of the performance of UK companies, almost all the managers – 96 per cent – said they had introduced training courses to promote customer service. Just under 70 per cent said their organisation had a written mission statement on the issue.

Eighty per cent said they had researched their customers' requirements and 79 per cent had introduced new technology to improve the service they provided. In addition, 86 per cent said they had developed a formal procedure for dealing with customer complaints.

If so many companies are making these attempt to improve customer service, why are they not achieving the desired results?

Ernst and Whinney claim the reason is that British companies are paying only superficial attention to customer care. In a press release issued with the study, the firm says: "The survey shows that many companies are merely paying lip service to customer service by training only those people who have face to face contact with the customer.

"We know that the most successful programmes are those which involve all levels of staff and are implemented at the top management level and include a clear mission statement on customer service."

The view that many service improvement programmes lack commitment from the top of the organisation is a common one. It would also be useful to Ernst and Whinney if it were true. The firm has recently formed a group which offers to help clients improve their customer service. If it could be shown that what companies lack is an overall service strategy, then Ernst and Whinney's work would be cut out for them.

But does their survey bear out the contention that customer care programmes are failing because senior management is not committed to them? It is true that staff who deal directly with the customers receive more training in customer care than their superiors, but the difference is not startling.

The survey shows that of the 151 companies that train their staff in customer service, 97 per cent train those employees who deal with the customers. Ninety per cent of the organisations train junior managers, 85 per cent train middle managers, 77 per cent train senior managers and 72 per cent train top managers.

It is true, too, that junior staff are trained more frequently than top management, but that is what one would expect. Fifty-eight per cent of companies that train their top managers do so at least once a year and 77 per cent do so at least every two years.

Perhaps Ernst and Whinney should have asked the customers what they thought. They can see why "customer care" often does not work: the company is not prepared to spend the money to make it a reality.

Supermarket chains are a good example. Customers are presented with brighter and cleaner premises, an improved range of merchandise and a smile from a cashier in a new uniform – and are then expected to pack their goods themselves while fellow shoppers seethe impatiently behind them.

Should companies take on more staff if they want their customer care programmes to work? Now that's a harder idea for management consultants to sell.

Customer Service, from Ernst and Whinney, Becket House, 1 Lambeth Palace Road, London SE1 7EU. £25

BT takes a dose of automation

Della Bradshaw reports on the integration of a complex office system

British Telecom (BT) is taking a dose of its own medicine and introducing an integrated office automation system throughout the company.

The scheme is expected to cost between £25m and £30m a year to implement and will be based on equipment developed in-house by BT.

The company has been selling office automation equipment for more than five years and has several local schemes in operation on its own sites. However, the new project, dubbed Common Office Automation System for Telecom (COAST), will link more than 60,000 BT users throughout the UK and connect with some overseas BT divisions as well.

John Spackman, BT's director of computing and information systems, the man responsible for the decision to implement COAST, admits that BT is running behind other information technology companies in introducing office automation. "I believe we should have moved faster," he says. "But it is a very big company."

The whole project is likely to take about 10 years to implement, with Spackman's own division, UK Communications, the first to try out COAST. That is the largest division within BT, responsible for the running of the ordinary telephone, telex and data networks within the country.

The first 300 personal computers and terminals are being installed in the division's headquarters. The 28 districts which make up UK Communications are preparing detailed schemes for their implementation of the system.

Spackman believes the introduction of COAST will enable the company to make savings on its equipment purchasing. His computing budget is £300m a year and he estimates he can shave 10 per cent off that by cutting out the duplication of terminals – one terminal on a desk will be able to carry out several functions, from ordering to electronic mail.

In addition Spackman says BT is planning to make "a healthy positive return" from the improved administrative efficiency that COAST will bring. According to Spackman, those savings are likely to come from increased productivity, not staff reductions. Savings in operational costs are crucial to BT, which is facing a tougher price control formula for its services from August 1989. From that date it will have to limit its price rises on basic services to a figure below the rate of inflation.

Spackman looked at office automation systems from major suppliers such as IBM and Digital Equipment (DEC), before deciding to go for an in-house developed product. He says the BT automation system "shaped up well" to the competition, but the company did not put out an open tender for the deal. According to Spackman, BT, like most information technology companies, has a "sell what we use, use what we sell" philosophy.

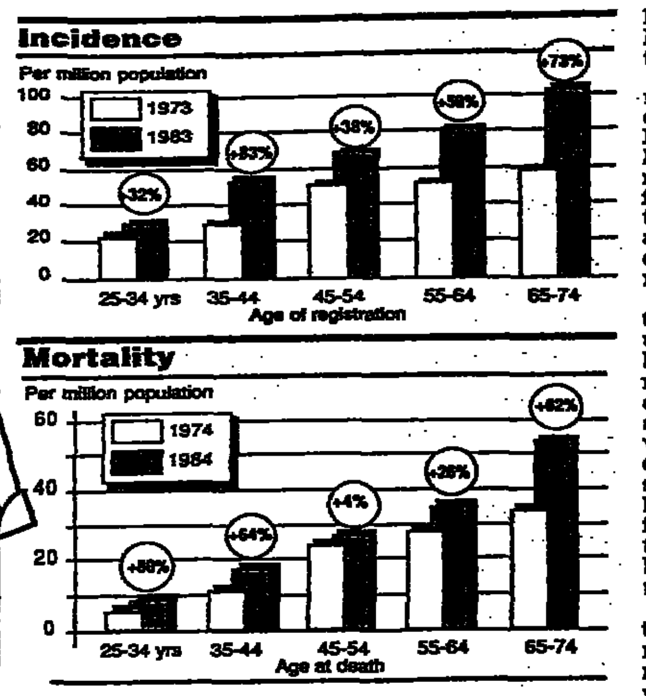
The COAST system will be based on open systems and will use the M6000 range of machines, developed by BT and made in Birmingham by Fulcrum, BT's manufacturing arm. The M6000 hardware is Unix-based and will run the Uniplex office automation software from the St Albans-based company of the same name. The office automation package will also include M5000 personal computers, IBM PC compatible machines, made for BT in the Far East by Zenith, and M1779 terminals bought in by BT from Videcom.

The equipment will be connected together locally by BT's T-Net local area network product and nationally by a packet-switched data network, called Internet. When Internet is in place it will be one of the largest data networks in the country. Within three years, Spackman believes, an ordinary voice service will be integrated with the text and data over Internet.

BT is also planning to sell the COAST system through its International Product Division. It sees large local and national government departments and utilities as obvious targets for such a system.

It is already putting forward a package similar to COAST for the Ministry of Defence's Corporate Headquarter Office Technology System (CHOTS) project, in conjunction with computer manufacturers Nixdorf and Honeywell Bull and software house SD-Scicon.

Malignant melanoma
In England and Wales



Source: Cancer Research Campaign

Changing the mixture now pale is beautiful

Paul Abrahams finds that worries about skin cancer have changed the recipes for sun cream

Noel Coward may have said that sunburn was attractive – though only when done evenly to avoid imitating a mixed grill – but for the 1990s pale looks set to become synonomous with healthy.

Sun worship seems set to fall from favour after warnings from doctors that its rays are dangerous. A recent survey conducted by Schering-Plough, the US manufacturer of Coppertone sun products, shows that 90 per cent of sunbathers want lighter tans. The implications for the multi-billion pound sun preparations market are considerable.

The need to avoid the worst effects of the sun has become acute after an alarming increase in the incidence of melanoma, the most lethal form of skin cancer, which has been linked with exposure to strong sunlight.

Some American doctors are beginning to talk about an epidemic. The rate of melanoma is doubling on average every 10 years in the US and Europe. In Arizona and New Mexico it has quadrupled.

The increase in less dangerous skin cancers, such as basal cell and squamous cell cancer, is probably linked to the cultural changes that made tanned skin fashionable. These cancers are the result of continuous and long-term exposure to sun.

But Rona MacKie, Professor of Dermatology at Glasgow University, believes that the rapid increase in the incidence of melanoma follows a change in the availability of foreign holidays. Last year the British took 27m trips abroad. "Package holidays to the sun did not exist in the 1960s and skin cancer rates have been rising steadily for the last 20 years."

MacKie explains that melanomas affect fair-skinned people three times as often as those who are naturally dark. The highest European rates are in Scandinavia and West Germany. A typical melanoma victim is an office worker spending most of his time indoors, then suddenly exposing himself to strong sun. "What people don't realise is that in 10 days they can receive more ultraviolet from sunlight in the Mediterranean than during a whole year in the UK," she says.

Another possible cause of the increase in melanoma is the depletion in the ozone layer which protects the earth's surface from ultraviolet light. However, MacKie explains that the ozone problem has existed for only 10 years, whereas skin cancer rates have been increasing for 20. "The ozone situation could make the epidemic situation worse, but you can't blame it for what is happening. It will be a problem for our children and grandchildren."

Manufacturers of sun preparations have tried to allay cancer fears by emphasising the protective nature of sun screens, rather than the tanning properties of suntanning agents. They have been helped by the publicity surrounding President Reagan's nose operation for skin cancer in 1986, and by articles in women's magazines highlighting the acceleration of the ageing process caused by ultraviolet light.

Euromonitor, the international UK market research company, which has just published a report on sun preparations, estimates that growth in the sun care products market will average between 2 and 3 per cent in the US, UK, West Germany and France until 1991. However, this sluggish increase masks considerable changes within the structure of the market.

Suppliers have used sun protection factors (SPF), which emphasise the protective nature of products, as a marketing tool to increase sales. In 1987 in the US, the value of sales of sunscreen products with an SPF of five or more increased by between 15 and 20 per cent. Sales of suntan products with an SPF of four or less were barely above inflation at 3.5 per cent.

Analysts expect sunscreens to be the growth market of the 1990s. The US has seen strong growth from products like Cancer Garde, from Eclipse Laboratories, which has an SPF of 33.

"Sunbathers appear to be getting smarter," says Joanne Brown, director of public relations at Schering-Plough. "They are using a combination of suntan products. Low SPF for the first couple of hours and then a strong sunscreen so they can stay on the beach without burning.

"The competition in the sunscreen market is hotting up. Perhaps five years ago, there were about six or seven products with an SPF of 15. Now there are some sunscreens with an SPF of 50," she says.

Schering-Plough estimates that this year, for the first time, it will sell as much sunscreen in the US as suntan agents. In the UK some of the fastest growth over the last two years in the sun preparations sector has come from Uvistat, a subsidiary of Windsor Pharmaceuticals, which markets high protection products.

Dark tanning creams have fared badly in the new cultural environment. In the US, sales of products without any protection fell 2 per cent last year. In the UK, Bergasol, a product which until this season was marketed for its tanning properties rather than protection, has also seen its market share decrease.

As sunbathers become increasingly sophisticated in their use of sun care products, so manufacturers have attempted to use technology to meet their demands for greater protection. "The technology behind protection preparations is evolving rapidly," says Martin Stockdale, head of the toiletries division at Boots, the leading retailer of products in the UK.

Stockdale explains that until recently most products were dedicated to blocking ultraviolet B (UVB), which has a wavelength between 290 and 320 nanometres and is responsible for most sunburn. It is linked to most of the skin cancers associated with consistent sun exposure which are now common in the US and Australia.

However, manufacturers are turning their attention to ultraviolet A (UVA), which is between 320 and 400 nanometres. It is believed UVA causes premature ageing of the skin. The UVA forces collagen, which is the main component of the skin and provides its structure, to become cross-linked, less flexible and therefore wrinkly. It is also thought that there is a relationship between UVA exposure and melanoma.

There are two ways of protecting the skin. The first method is through chemical materials based on oxybenzone which absorb ultraviolet light and prevent it reaching to the lower areas of the skin.

The second is through pigments, such as zinc oxide and titanium dioxide, which scatter the light like a layer of gloss paint. However, these materials, like paint, tend not to be transparent, which is fine for the noses of cricketers, but is far from congenial for those more bothered about their appearance.

"We have put a lot of effort into finding an effective way of using zinc, because it is more effective than absorbing materials at protecting from both UVA and UVB," says Stockdale. "It also tends to be more neutral than the others and there is less chance of an allergic reaction," he adds.

Stockdale explains that Boots has now achieved a formula, using di-benzoyl methane derivatives, which is transparent and protects from both forms of ultraviolet light.

However, sunbathers who believe they are protecting themselves from cancer using sunscreens may not be safe. MacKie says that although sunscreens do probably protect against less serious forms of skin cancer, she is not sure whether they are effective against melanoma.

"Sun preparations may prevent burns," she says. "But it could be that melanoma is not caused by burning. The cancer could be activated by something that happens at the same time. We can all hope that double blocks against UVA and UVB work, but it's unproven," she says.

Optical fibre that takes its own temperature

By Geoffrey Charlish

YORK, of Hampshire in the UK, has jointly developed, with the University of Southampton, an optical fibre that can be used to measure temperature at any point along its 2km length. No conventional thermometers or sensors are employed, only the sensing ability of the fibre itself.

The company, based in Chandlers Ford, has supplied systems to a handful of customers, including the US Navy, and is seeking to license the development to other interested parties.

The system's Distributed Temperature Sensor (DTS) uses the fact that when a light pulse moves down a fibre, some of its energy is scattered in all directions by the glass. Part of this scattered light goes back to the start of the fibre, where the pulse was launched, and it is picked up by special receiving devices. How much light the pulse scatters at the point it has reached is directly related to the temperature.

How far the pulse has travelled and how much light it scattered at that point is measured by the DTS "black box", to which the fibre is connected. An associated screen and keyboard unit could show, for example, a diagram of a cold store, the path of the fibre running round it and an alarm spot of light at any point that had exceeded a safe temperature.

The pulses move down the fibre at the speed of light so that, even at their extremely short duration of 75 nanoseconds (thousand millionths of a second), they occupy a length of fibre of about 7.5 metres. However, to sense the temperature over a shorter distance, the fibre can be wound into a coil about 4cm across.

In practice, the DTS uses a loop of fibre, transmitting and receiving from both ends. The black box can accommodate four loops.

To acquire and process the data for one 2km loop takes about 12 seconds and the accuracy of the temperature measurement is one deg C over an operating range of about +600 to -100 deg C.

A four loop system costs about £40,000.

York can be contacted in the UK on 0703 260411, or in the US on (818) 955 8927.

THE PROPERTY MARKET

How E&OP has developed

RETAILERS have become increasingly aware of the value tied up in their property and some groups have emerged as significant developers and traders. Halfords in the Ward White group uses its property operations to service its retail business. Pentos floated off its property arm last June. PAUL CHEESERIGHT reports

ENGLISH & Overseas Properties has grown out of Pentos, which controls the Athena, Dillons and Ryman chains. "Grown out of" in two senses – first because it originally handled the Pentos property needs and, second, because it has now been floated off as an independent company, with Pentos retaining 29.9 per cent.

Where, once, E&OP was dependent on Pentos as its banker, now, as Mr Jim Clark, the chairman put it, "the whole of the capital and banking market is open to us." In fact, E&OP has close relationships with Barclays, Barclays de Zoete Wedd and British Linen Bank.

The nature of its business means that it is generally only interested in short-term financing. "Our approach is that if we see a site we like, we buy it using our own resources. We never need long term financing because we trade everything," Mr Clark said.

E&OP's staple business is High Street shops – purchase, refurbishment and sale. This is a process which can be managed in weeks or months rather than years. The company has been doing about 12 deals a year and intends to keep up that rate while adding one or two larger projects which will secure profits longer in advance.

The changed relationship with Pentos sprang largely out of a need on both sides to avoid areas of conflict. The more expansionist E&OP became, the greater would become its demand for Pentos funds. But Pentos also needed funds for the expansion of retailing. The amount of cash available at any one time required allocation, and that could have put E&OP in competition with the Pentos retailing arms. The flotation meant that E&OP would have no need of any Pentos resources.

With its own credit lines in place and with full command of its own resources, E&OP has a greater ability to act quickly. "A lot of development is like waiting for a bus. You've got to be there to catch it and they'll come along three or four at a time. You've got to have the finance available," said Mr Clark."

Both Pentos and E&OP then have greater flexibility at a distance from each other. Pentos has a director on the E&OP board. Mr Clark retains his seat on the Pentos board. Although Pentos has established a department to lease premises for its shops, E&OP can be retained as a development consultant as and when necessary.

Since the early 1980s, E&OP has been undertaking developments independently of any specific Pentos retailing needs. In 1986 and 1987, independent developments accounted for just over a half of turnover, but this year the proportion will be around 90 per cent.

The key thing about High Street development, said Mr Clark, is the necessity of making appraisals on the basis of an annualised return on capital, rather than expecting a straight 20 per cent return on capital.

"With some deals you are in and out in six weeks. Most last for four or five months. But if you only get a 12 per cent return on costs, that's annualised at 36 per cent. You can't look at this traditional development terms. It's a fast track operation," Mr Clark explained.

This sort of operation can only work with relatively small properties. Indeed, most of E&OP's retail ventures have a completion value of less than £2.5m.

The company is expanding into industrial development, in line with prevailing market trends, and for some of these ventures, said Mr Clark, "you're going to have three or four design team meetings. But with retail, the design team meeting takes place on site when we get the keys."

The advantage of this approach is that small-scale, quick projects limit the exposure. Financing costs are held down and the risk of becoming the victim to any sudden change in trends is diminished.

Not that Mr Clark has any doubts about the future of the High Street. He will take E&OP into any High Street in the country – "it does not matter where it is." For its expanding industrial side E&OP has looked mainly in the South East, although it is now *branching out in the North West.*

E&OP has 20 projects underway with a value of £21.3. Pre-tax profits this year should be not less than £1.1m.

Halfords: where retailing comes first

MARTIN MEECH is unequivocal. At Halfords, where he is the director of property, retailing comes first and property second. "Property supports the direction the retail side wants to go. But we always have an eye on property profits if they don't conflict with the retail sector," he said.

The car parts and bicycles group, which in the year to January 1988 lifted operating profits 47 per cent to £17.9m, is expanding fast into superstores on the edge of towns, and opened three last month to bring the total to 71. But it also has over 300 High Street shops.

The determination to keep retailing the first priority means that Mr Meech and his colleagues are not looking for a 20 per cent return as a developer would. But if there is a development loss and the retail side has to pay a premium, that goes into the retail appraisal and a return has to be obtained on that payment. The retail side in any case has to pay market rents – there is subsidised accommodation.

At the end of the day Ward White, the parent and paymaster of Halfords, is looking for a 25 per cent return on its investment, and, "said Mr Meech, "every project has to have a payback in four years – retail and property." If something is lost on the property swings it has to be made up on the retail roundabout.

But that is for Halfords to work out. "Ward White gives us the financial support and leaves us to run the business. As long as they're getting the return on the investment, they're happy," said Mr Meech.

Halfords has a strategy – that is to say Ward White has agreed with it a certain level of investment. Whenever Mr Meech makes an acquisition needing capital investment, the proposal is put to the Halfords board and then sent on to Ward White for approval.

Within that strategy Halfords has identified up to 300 locations where it wants to start retailing operations. They are divided into three categories, A, B and C, with the A locations being the highest priority. It is up to Mr Meech to deliver and also to snatch up opportunities which might come outside the location list.

The main thrust of the expansion, which is directed at more than 40 new stores this year and 60 next, is on the edge of towns. But at the same time there is a search for better High Street locations. The two can play off each other.

At Altrincham, for example, Halfords wanted a superstore on the edge of town but *already had a 4000 square feet* High Street shop which was coming up for rent review and needed a refurbishment anyway. *It did an exchange with* Etam, which gave it a smaller shop in what it thought was a better location and obtained a premium from Etam.

The company found a 42,000 square feet warehouse on the main road out of town running towards Manchester, took *18,000 square feet at the front* and sub-let the rest. The sub-let and the premium from Etam covered the cost of getting into the new superstore. Because the sub-let space will be let at a 10 per cent higher rate than the rent on the part *of the property used by Halfords itself*, the property transaction will show a profit after the first rent review.

The need to manage the Halfords portfolio has pushed the company into doing more of its own developments. Hence, recent land purchases in Basingstoke and Poole. It is also not averse to joint developments.

In Salisbury, where the company had a prime High Street shop, it found an opportunity for a superstore within walking distance. It appreciated that the High Street site could be redeveloped, bought in the freehold and set up a joint venture with Bath and Bristol Estates. The profits from this, said Mr Meech, would be three or four times more a simple sale of the leasehold.

The next stage will be joint venture retail park developments of four or five units where Halfords can take space but where units can be leased to other companies in the DIY, furniture and electrical appliance sectors.

Company Notices

NOTICE OF PREPAYMENT

Caisse Centrale de Coopération Economique

FF 600,000,000
Guaranteed Floating Rate Notes due 1993
Unconditionally guaranteed by the Republic of France

In accordance with Paragraph "Prepayment at the Option of C.C.C.E." of the Description of the Notes, notice is hereby given that Caisse Centrale de Coopération Economique will prepay at par, on the next Interest Payment Date, September 7, 1988 the total amount remaining outstanding of the above-mentioned Notes.

Payment of interest due on September 7, 1988 and reimbursement of principal will be made in accordance with the Description of the Notes.

Interest will cease to accrue on Notes as from September 7, 1988.

Luxembourg, August 5, 1988

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

GEOFUND LIQUID ASSETS
DISTRIBUTION NOTICE

NOTICE is hereby given that for the period from 1 January 1988 to 30 June 1988 a Distribution of US$ 3.85 per Income Share is payable from 12 August 1988 to holders of record on 30 June 1988.

Holders of accumulation shares are hereby notified that their interest in the Trust Fund will be increased in respect of each share held at 30 June 1988 to 1.7679480 Undivided Shares.

MANUFACTURERS HANOVER ASSET MANAGEMENT LIMITED

CYDSA S.A.
FLOATING RATE NOTES
DUE 1988-1991

NOTICE IS HEREBY GIVEN that for the Interest Period commencing 8th August 1988, the Notes will bear interest at the rate of 10 ¹⁄₁₆ % per annum. The interest payable on 7th November 1988 against coupon No. 16 will be US$206.66 per US$8,125 Nominal.

Agent Bank
ORION ROYAL BANK LIMITED

International Property

Legal Notices

E & A WELDING COMPANY LIMITED
IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at The Arches Inn & Hotel, Allt-ami Road, New Brighton, Mold, Clwyd, CH7 6RO on Thursday, 18 August 1988 at 11.00 am for the purposes of having laid before it the report prepared by the joint administrative receivers in accordance with the said section and, if thought fit, appointing a Committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless that other person is subject to a bankruptcy order or in liquidation).

Creditors wishing to vote at the above meeting must lodge a written statement of their claims with us at Cork Gully, 43 Temple Row, Birmingham, B2 5JT no later than 12 noon on 17 August 1988. Forms of proxy are, if intended to be used, must also be lodged with us by that time.

DATED this 26th day of July 1988

John F Powell and Ian N Carruthers
Joint Administrative Receivers

Public Notices

INSOLVENCY ACT 1986
N.D.T. (LONDON) LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a meeting of the creditors of the above-named company will be held at 1 Wardrobe Place, Carter Lane, London EC4V 5AJ on the 18th day of August 1988 at 11.45 am for the purpose mentioned in Sections 100 and 101 of the said Act, that is.

1. The nomination of a Liquidator
2. The appointment of a Liquidation Committee

Proxy forms to be used for the purposes of the above meeting must be lodged, accompanied by statements of claim, at the Registered Office of the company, situated at Booth, White & Co., 1 Wardrobe Place, Carter Lane, St. Pauls, London EC4V 5AJ not later than 4 pm on the 17th day of August 1988.

Notice is also hereby given, pursuant to Section 98(2)(a) Insolvency Act 1986, that P W J. Hartigan of Booth, White & Co., 1 Wardrobe Place, Carter Lane, St. Pauls, London EC4V 5AJ is qualified to act as an insolvency practitioner in relation to the above company and will furnish creditors free of charge with such information concerning the above company's affairs as they may reasonably require.

Dated this 21st day of July 1988
By order of the Board

In order to prevent any possibility of a printing error, the name of the Director or Secretary who has signed the above notice should be written below in block capitals.

P.M. McMURTRIE

Art Galleries

Clubs

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
5	6	7	8	9	10	11

THEATRE

London

Too Clever By Half (Old Vic). A fizzing Gogolian production by Richard Jones of Ostrovsky's *Diary of a Scoundrel* in an old Rodney Ackland version, with remarkable Expressionist designs by Richard Hudson and a brilliant central performance by newcomer Alex Jennings. Until August 13. (928 7616, credit card bookings 261 1821).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing. (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair. (839 5989).

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244, credit cards 379 6131/240 7200).

Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne [illegible]

in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit. (947 0033).

M. Butterfly (Eugene O'Neill). The *surprise Tony winner for 1988* is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy. (246 0220).

Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted *exposé of the film industry*. (239 6200).

Stranger Here Myself (Public). Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York. (598-7100).

Washington

Les Misérables (Kennedy Center Opera House). The touring company of the international hit of last season brings to Washington the historical sweep of Victor Hugo, set to music and an insistent contemporary beat. Ends Oct 15. (254 3770).

Sleuth (Eisenhower). Stacy Keach and Maxwell Caulfield star in the mystery pitting a writer against a mild-mannered travel agent who's stolen his wife's affections. (254 3679).

Tokyo

Comet Messenger - Siegfried. (Parthenon open air theatre, Tama). Described as a "kinetic theatrical fantasy on the evolution of man and his dream of flight", this production by Japan's liveliest experimental group, Yume no Yuminsha, returns to Tokyo following performances at the first New York International Festival of the Arts. Based in part on Wag- [illegible]

EXHIBITIONS

London

[illegible]

Lawrie and Louise Nevelson who were commissioned to add art to the architecture. Ends Sept 4.

Pierpont Morgan Library. Over 300 items from the life and art of Beatrix Potter show the evolution of the artist and her work. Included are the illustrated letter, discovered only months ago, to Noel Moore that became the basis of Peter Rabbit, and the entire sequence of 22 watercolours from The Tailor of Gloucester, lent by London's Tate Gallery. Ends Aug 21.

Washington

National Gallery. More than 60 masterworks, from the superb 16th-18th century collection of Munich's Alte Pinakothek, include paintings by Rubens, Rembrandt, Titian, El Greco and Van Dyck. Ends Sept 5.

National Gallery (East Wing). To mark the 350th anniversary of the first Swedish colony in North America, the exhibition covers four Swedish monarchies in the 16th and 17th centuries and shows Sweden as a resplendent and aggressive world power through objects and 100 paintings on loan from the Royal Treasury, the National Museum and the royal collections. Ends Sept 5.

Chicago

Art Institute. Photographs by Josef Sudek. Using his native Prague as the background, this avant-garde photographer, who died in 1976, captured the lyrical quality of the Czech people and the country's beautiful landscapes. Ends Sept 5.

Art Institute. More than 50 Dutch and Flemish 17th century masterpieces from the Hermitage in Leningrad, including works by Rembrandt, Rubens, van Dyck and Frans Hals, kick off a collaborative effort by US and *Soviet* museums Ends Sept 18.

Tokyo

Teien Museum, Meguro. Masterworks from Europe. A summer exhibition aimed at Japanese families who might wish to introduce their children to Western art. Sixty-nine works are on show, mainly Impressionist and Post-Impressionist, all drawn from public and private Japanese collections (which have been able to go on a spending spree recently as a result of the strong yen). They range from Renoir at his most sentimental to late Picasso lithographs and a selection from Matisse's mighty Jazz series. The museum is a former imperial residence and has a superb Art Deco interior and a pleasant garden. Closed August 10, 24; Ends September 4.

National Museum of Modern Art. The Image of Man in Modern Japanese Art, grouping portraits from the museum's collection. Closed Mondays.

Riccar Museum. A pictorial diary and other works by the early 19th century master of the Ukiyoe woodblock print, Utagawa Hiroshige. Ends August 28.

Suntory Museum. Chinese glassware of the Qin Dynasty (1644-1911) from the collection of American businessmen Robert H. Clague. The works range from simple incense burners, bowls and gourd-shaped vases in translucent coloured glass to elaborate showpieces imitating jade or porcelain that make virtuoso use of techniques in which Chinese craftsman were particularly skilled, such as carved relief and coloured overlay. Closed Mondays. Ends August 28.

Japan Folkcraft Museum (Nihon Mingeikan), Komaba. Crafts from India. The museum is in an old Japanese farmhouse building which accords perfectly with the unselfconscious beauty of the objects. Closed Mondays.

MUSIC

London

Lyons Opera Orchestra, conducted by John Eliot Gardiner, with François-René Duchable (piano) and Zoltan Toth (viola). Bizet, Fauré, Ravel and Berlioz. Royal Albert Hall (Mon). (589 8212).

BBC Symphony Orchestra, conducted by Matthias Bamert, with Philippa Davies (flute). Beethoven, Mozart and Schoenberg. Royal Albert Hall (Tue).

BBC Scottish Symphony Orchestra, conducted by Jerzy Maksymiuk, with Barry Tuckwell (horn) and Yvonne Kenny (soprano). Sibelius, Thea Musgrave, Britten and Mozart. Royal Albert Hall (Wed).

BBC Scottish Symphony Orchestra, conducted by Jerzy Maksymiuk, with Margaret Marshall (soprano) and Christine Cairns (mezzo-soprano). Mendelssohn, Gerhard and Falla. Royal Albert Hall (Thur).

Paris

Maria-Cecilia Farina (organ). Frescobaldi, Scarlatti, Bach. Saint-Severin Church (Mon 8.30pm).

Quatuor Bosnsel. Haydn, Arriaga, Mozart. Auditorium des Halles (Tue 7 pm).

Veronique Dietchy (soprano). Scarlatti's instrumental compositions Salve Regina; Stabat Mater. Saint-Severin Church (Wed 8.30 pm).

All the above are part of the Festival Estival (48.04.98.01; answering machine in English round the clock 47.20.28.88.96).

Amsterdam

National Youth Orchestra of the Netherlands, conducted by Adam Gatehouse. Bruckner (Tue); Heinrich Schiff, cello: Bach (Thur). Concertgebouw (718 345).

William and Mary candlelight concerts. Gustav Leonhardt, organ: Sweelinck, Van Noordt, Byrd, Bull, Tomkins, Blow, Purcell (Mon). The Sixteen Consort under Harry Christophers: Purcell (Thur). Nieuwe Kerk, Dam Square.

New York

Mostly Mozart Festival. Cleveland Quartet, with Emanuel Ax (piano) and Paula Robinson (flute). Mozart, Mendelssohn, Schumann (Mon).

Mostly *Mozart Festival Orchestra*, conducted by Hermann Michael, with Emanuel Ax (piano), David Shifrin (clarinet). Rossini, Mozart, Schubert (Tue, Wed). Avery Fisher Hall, Lincoln Center (874 2424).

Juilliard Concerts. The Daphnis Trio. Bach, Pachelbel, Fauré. (Wed 12.30 mat). Free concert at IBM Atrium (56th & Madison).

Washington

Wolf Trap Festival. Popular Music Concerts this week include Ray Charles (Mon) and a Soviet-American jazz combination of Paul Winter and the Dimitri Pokrovsky Singers (Tue). Israel Philharmonic, conducted by Kurt Masur. Beethoven, Mussorgsky, Haydn (Wed). (432 0200).

Chicago

Ravinia Festival. Louis Lortie piano recital. All-Chopin programme (Tue). Chicago Symphony Orchestra, conducted by James Conlon Einman, with Vladimir Feltsman (piano). Mussorgsky, Rachmaninoff, Dvorak (Thur). (728 4642).

Tokyo

Hiroko Nakamura (piano), with the New Japan Philharmonic Orchestra conducted by Shigeo Genda. Chopin. Suntory Hall (Mon). (358 9765).

Tokyo Metropolitan Symphony Orchestra, conducted by Kazuhiki Ohno, with Naomi Matsui (organ). Mussorgsky, Saint-Saens. Suntory Hall (Tues). (832 0727).

Koto and flute recital by Sawai Kazue and Nishizawa Yukihiko. Vario Hall (Wed). (818 4151).

OPERA AND BALLET

London

Leningrad State Kirov Ballet moves from the Business Design Centre in Islington to the Royal Opera House, Covent Garden on Tuesday with Le Corsaire.

Moscow Classical Ballet opens a short season on Tuesday, with a new Swan Lake, at the Business Design Centre, Islington.

Coliseum. Dance Theatre of Harlem. Royal Festival Hall. London Festival Ballet in La Sylphide.

Rome

Terme di Caracalla. Aida, conducted by Daniel Oren, with April Millo in the title role. Giselle, with the original choreography, danced by Margherita Parilla and Mario Marozzi alternating with Lucia Colognato and Salvatore Capozzi. La Fanciulla del West, conducted by Pinchas Steinberg. (46.17.55).

Verona

Arena di Verona. Jean-Claude Auvray's production of La Gioconda, conducted by Christian Badea. Pietro Zuffi's sumptuous 1987 production of Aida, conducted by Donato Renzetti. Turandot, conducted by Nello Santi, with Ghena Dimitrova alternating with Eva Marton. Ballet by Lorca Massine, to Theodorakis's Zorba the Greek. (590109).

Palermo

Teatro di Verdura di Villa Castelnuovo. Bolshoi Ballet and orchestra in Glazunov's version of Petipa's Raymonda. (58.15.12).

New York

New York City Opera. The week features La Traviata, Madame Butterfly, *Mefistofele* and *Die Zauberflöte*. State Theater, Lincoln Center (496 0600).

Out-of-Doors Festival, Lincoln Center. The month long and usually day-long free performances in the plazas and Damrosch Park feature at 8.15 Limon Dance Company (Tue) and Muntu Dance Theatre of Chicago (Thur). (877 2011).

Public Notices

THE SCOTTISH AGRICULTURAL SECURITIES CORPORATION p.l.c.

Notice is hereby given that the Register of the Corporation's above-mentioned Debenture Stock will be CLOSED for TRANSFER and REGISTRATION from 17th to 31st August 1988.

By order of the Board, Secretary, 48 Palmerston Place, Edinburgh EH12 5BR. 5th August 1988

Art Galleries

COLNAGHI 14 old Bond St, W1. 491-7408. Prospects of TOWN AND PARK. An exhibition of View Paintings. Until 20 August. Mon-Fri 10-6, Sats 10-1.

ARTS

Roger Woodward

KENSINGTON TOWN HALL, RADIO 3

This year sees the 60th anniversary of the birth of Jean Barraqué. The occasion has gone largely unremarked, while the birthday of his exact contemporary, Stockhausen, is being widely and loudly celebrated. Barraqué died in 1973, and his reputation is no doubt still suffering the eclipse that conventionally follows a composer's death, but during his life his champions had done him no favours, and the extravagant claims made on his behalf, most notoriously by André Hodeir, together with the slenderness of his finished output (just seven works) has always placed him apart from Boulez, Stockhausen and the other composers of the total-serialism generation.

Two of Barraqué's most substantial works remain unperformed in Britain, and as both of them, . . . *au delà du hasard* and *Le Temps restitué*, are intimately if not incestuously related to Hermann Broch's massive novel *The Death of Virgil*, one might have thought that this of all Proms seasons, with its literary theme, would have been the ideal occasion on which to repair the omission. The anniversary was marked, however, in Wednesday's late-night Prom from Kensington Town Hall, when Roger Woodward played Barraqué's forbidding Piano Sonata of 1952.

Woodward has made the sonata his own in the last two decades, giving the first British performance in 1971 and later recording the work under the composer's supervision. Its constructivism remains as refractory as ever, but the sheer scale of the music (some 40 minutes), and its sustained intensity, make it less wedded to its epoch even than, dare one say it, the sonatas of Boulez or the piano pieces of Stockhausen. Hodeir linked Barraqué's name unashamedly with Beethoven, and – hype notwithstanding – the scale and seriousness of the sonata, and the elemental passion of its discourse, conjure undeniable epic parallels.

Woodward plays it still with demonic intensity. The way in which the continuity of the second section is progessively eroded by irregular silences until all articulacy has been destroyed remains one of the most striking processes in all post-war music, and his fervent, fearless playing destroyed none of that disturbing power.

He followed the sonata with the most singular of Stockhausen's cycle of piano pieces from the 1950s, the ninth and the eleventh. In these days of pernicious minimalism the 200-odd repetitions of a single chord with which the ninth Piano Piece opens seems a relatively moderate gesture, and certainly the hazy impressionism into which the piece subsequently dissolved under Woodward's control did much to integrate that unpromising opening into a more profound examination of keyboard sonority. The Eleventh's multiple-choice score has become one of the classic texts of aleatoricism; Woodward selected all the possible options to produce a capricious, quick-witted version that belied the work's proselytising origins.

Andrew Clements

Suite en blanc

COVENT GARDEN

Of the two works on offer in last night's programme by the Australian Ballet, one – Lifar's *Suite en blanc* – is a ballet, and a fine one. The other – Maurice Béjart's *Gaieté Parisienne* – looks like nothing so much as jigging on the graves of Offenbach and Leonide Massine.

That both pieces inspire sound and often laudable performance by the Australian artists is testimony to their stamina, and a certain sunny resilience that enables them to take the leaden caprices of the Béjart item without developing a fit of the megrims.

Suite en blanc is an exercise in neo-classic style and transcendant virtuosity, where wit, elegance, and a delight in technical challenges, must give the steps the highest polish. The Australian cast have caught much of the Lifar manner. They know how to stand, to offer *ports de bras* to their public, to jump, beat and ride on Lalo's marvellous rhythms.

Some of the soloists lack conviction – Lifar's very personal language must be savoured, its every turn and pose shown off with pride – but the ensemble is strong, and Elizabeth Toohey and her quartet of men rival French casts I have seen. In Fiona Tonkin, to whom falls the pas de deux and the Cigarette variation, once the especial and glorious province of Yvette Chauviré, the ballet finds a young artist able to enchant both steps and audience: it was a performance of exceptional delicacy, and the role is safe with her.

That the Australians perform Béjart's assault upon the Second Empire which passes itself off as *Gaieté Parisienne*, wins my nomination for bravery over and above the call of duty. This is Béjart as a maker of fantasy – phantasmagoria is perhaps a better word – upon a theme.

A terminally cute youth called – how quaint – Bim, wants to be a dancer and for reasons best known to M. Béjart does so in Offenbach's Paris. Truckloads of allusions, to the world of Winterhalter and of the ballet, to revolution and the camaraderie of the dance world, are unloaded on stage in incoherent fashion.

Unwisely, certain performers speak and sing – and the assault upon "Tu n'es pas beau" from *La Périchole* is probably the most desperate moment in a piece devoid of musical distinction – while some of the dancers put on funny noses, and play to the house. Intermittently, memories of Massine's jolly ballet of the same name are awakened, then mercilessly crushed by the crassness of Béjart's mannerisms.

What makes the event bearable is the energy of the Australian dancers' playing, and in particular the bold performances by six men: David McAllister, Adam Marchant, Steven Heathcote, Stephen Holford, Mark Pace, Greg Horsman. They merit mention by reason of their strong techniques, clear personalities, and their willingness to give themselves to Béjartian banality.

Mark Annear does very well as Bim, keeping cool at even the most noxiously winsome moments. The accompaniment is fragmentary, Offenbach degraded: my sympathies are with the conductor, Ormsby Wilkins, who had earlier made very good sense of the beauties of Lalo's music, and here must lend himself to the filleting of a vivid score. Of such acts of brutalism are made evenings with M. Béjart.

Clement Crisp

CINEMA

Rogue director loses his magic touch

Welcome aboard the Disorient Express. Our journey from reality to fantasy will take us 91 minutes and we shall be travelling at over 100 mph. Do not be alarmed if the scenery wobbles a bit, for your driver is Nicolas Roeg, famed for taking swerves round unadvertised bends in time and space, and your navigator is Dennis Potter, likewise no respecter of straight lines.

Track 29 sounds like the dream British movie ticket. Television's most daring playwright, adept at socking it to Aunt Edna and Auntie BBC with stuff such as *The Singing Detective*, meets the cinema's ace visionary, director of *Don't Look Now, The Man Who Fell To Earth* and *Bad Timing*.

And for the first half of their teaming, Potter and Roeg hit it off grandly. We are somewhere in North Carolina, where the paths of three oddballs are converging. Young English hitchhiker Gary Oldman thumbs his way through the sticks while handing out eccentric advice to unappreciative truck-drivers ("Everyone should have a mother"). Unhappy housewife Theresa Russell lives in a woodframe dream-home, her days days gnawed by thoughts of the child she wants to have and of the sexless husband (Christopher Lloyd) who is unlikely ever to give her one. Hubby is a doctor by profession and a train fanatic by pastime. His hobby has taken over the whole upper floor and his relationship to his wife is, you might say, *in loco parentis*. She, coy and suppliant in ribboned nighties, calls him "Daddikins." He, long-suffering in specs, treats her like a tiresome child.

TRACK 29
directed by
Nicholas Roeg
HAWKS
directed by
Robert E Miller

This sounds like the perfect Dennis Potter marriage: incipient murder lurking behind the marmalade. And for 40-odd minutes, as Roeg and Potter treat the story as scat-headed surreal comedy, it works. When hubby goes off to work one day, suicidal Russell is saved from drowning by Oldman, who materialises by her pool to announce that he is her son from a long-ago moment of passion at a fairground. "Be so kind as to cast your mind back to the summer of rock and free love," he intones. And she does. Cue multi-coloured sparks and hisses and the first of several eyeblink Roeg flashbacks.

Soon mother and son are pouring their hearts out to each other, scheming to dispose of Dr Lloyd (and his locos) and sealing their new-found passion in bed. "I've decided to have my American childhood," pronounces Oldman, who seems to be having that and much more. The only question is: Does Oldman exist? Or is he is merely a figment of Miss R's wish-fulfilling imagination?

The movie is indebted mightily to Potter's TV play *Schmoedipus* and to the deathless Jewish proverb which gave that work its name. ("Oedipus schmoedipus – what's wrong with a boy who loves his mother?"). But the master-stroke of hanging these black-comedy Variations on a Theme of Incest to a director like Roeg goes awry. No sooner are the movie's characters and plot-pieces brought together than the movie starts falling apart. In a story already brittle with fantasy, Roeg's wizardry with time and trompe l'oeil – split-second flashbacks, mirror-image duplications, confusions between wish-fulfilment and reality (now the train set is destroyed, now it isn't) – seems like bombarding a house of cards with paper darts. The two factions of illusionism, instead of reinforcing each other, engage in mutual destruction.

Worse still, as the film's later reels drag on, is Mr Roeg's determination to showcase Mrs Roeg (Theresa Russell). While Oldman subtly rivets the attention with his alternation between saucy interloper and spoilt child, Russell hams it up no end as our Madame Bovary of the American South. Scored monotonously for Southern whine, her voice sits on Potter's lines and squashes most of them flat. When Roeg gives her a TV to compete with in her climactic scene – excerpts from *Cape Fear* burbling away as a symbolic parallel to the plot – things go from bad to worse. One sympathises with the response of the best friend to whom Miss R is hysterically pouring out plot points we have already gathered: "But Lindy," (bleats the friend), "why are you telling me all this?"

Timothy Dalton and Anthony Edwards in *Hawks*

Roeg's early films – *Performance, Walkabout, Don't Look Now* - announced him as a blazing original among British directors. Even more recently, with *Eureka* and *Castaway*, his flair for seeing reality prismatically, as a splintered structure of secret colours and meanings, has lent thrilling intensity to films that in poorer hands might be routine story-movies. But with *Track 29* the suspicion emerges that Roeg is becoming a conjuror on auto-pilot: a man addicted to bringing rabbits out of hats even when the rabbits are tired and the hats have seen better days. Or when, as with this film, the rabbit has already been pulled from the hat by the film's writer, and further attempts at prestidigitation by the director seem both laboured and counterproductive.

■■■

Next, *Hawks*, and from hats and rabbits to red noses. The gift of laughter is precious: so precious that it should never become evangelistic. If, like me, you thought Comic Relief week was the most mirthless event in recent British history – all those comedians flogging hilarity at us like door-to-door salesmen (and yes, I know it was in a good cause: that was half the trouble) – *Hawks* will freeze your funny-bone.

The good cause here is Life. Timothy (007) Dalton is the knockabout chap in the terminal ward who determines to knock some fun and sense into American footballer Anthony Edwards, who is dying of an unnamed muscular disease in the bed opposite. After sundry japes, pranks and failed suicide bids (by Edwards) in their London hospital, the two hi-jack an ambulance and vroom off to Amsterdam, aiming to go out in a blaze of glory at a brothel.

'With Track 29, the suspicion emerges that Nicolas Roeg is becoming a conjuror on auto-pilot'

But fate, as they say, intervenes. Our two heroes run into – but unfortunately not over – two warmly wacky English girls also voyaging through the Netherlands (Janet McTeer and Camille Coduri). Soon it is clear that a little romantic warmth is going to be more important than a night of promiscuous abandon, that an intimate smile means more than an impersonal orgasm, that. . . and so on and so on.

Written by Roy Clarke (of *Last Of The Summer Wine*) and directed by Robert Ellis Miller (*Reuben Reuben*), this fey fable witters on for a minor eternity amid photography by Doug Milsome that would be flattered by the word "murky." The acting alone transcends the prevailing miasma of moralising and sentimentality. Misses McTeer and Coduri could clearly grapple with stronger roles if given the chance, and Dalton, whose superglued jaw-muscles suit James Bondery better than jollity, does wonders in inviting sympathy for a character I would have no hesitation in asking to have removed from my terminal ward.

A scene from *Track 29*

■■■

Many of you are probably thinking that London's movieland is now a terminal ward. *But do not despair. In what must be the worst summer for new films since records were kept, why not sample some old films?*

All tastes are catered for in our thriving repertory circuit. There is Sci-Fi at the National Film Theatre, with the likes of Cronenberg's *The Fly* and *Shivers* offering terror therapy for the willing. Jazz cinema is in full swing at the ICA, with everything from Kirk Douglas as Bix Beiderbecke (in the 1950 *Young Man With A Horn*) to Charlie Mingus in filmed concert. Fellini, Warhol and Fassbinder hold sway at the Scala. And with some doughty footwork round the city you could be one-up on your friends by catching sneak previews of two hot-ticket films: Peter Greenaway's Cannes-laurelled *Drowning By Numbers* at the Everyman (Sunday), and at the Ritzy the wondrous and peculiar Australian documentary *Cane Toads* (Saturday). More on the latter soon from Edinburgh.

Nigel Andrews

Jane Arden and Aiden Waters in *Babes in Arms*

Babes in Arms

OPEN AIR THEATRE, REGENT'S PARK

So this is the stage version of the immortal Mickey Rooney/Judy Garland "let's do the show right here in the barn" movie? No, actually. When MGM came to film the 1937 Broadway success they jettisoned many of the Rodgers and Hart songs and padded out the show with numbers by other hands. Restored for Ian Talbot's production in the Park, the score is revealed as a goldmine of imperishable standards, including "I Wish I Were in Love Again," "Where or When," and "My Funny Valentine," the latter unconnected with February 14 but a wry love-song to juvenile lead Val.

The original cast boasted such young hopefuls as Dan Dailey, Alfred Drake and Robert Rounsville (later to be Beecham's cinematic Hoffmann, Stravinsky's first Tom Rakewell and Bernstein's Candide). The New Shakespeare Company gives us the season's gutsy Perdita and Hermia as a splendidly scheming gold-digger, Autolycus and Puck as a grotesquely toothy angry young playwright from the Deep South; Polyxenes and Theseus as the *deus ex machina*, a "Broadway producer genius"; and sundry lords, fairies, base mechanicals and Bardic lovers as the kids who put on a revue to save their theatre.

The slender plot tells of the junior thespians' struggles against the scornful theatre manager (David Henry in a loud suit, a long way from his Antigonus), an egocentric author (Cliff Howells, whose robust comedy this season shows him a fine Shakespearian clown) and a former child star's imperious mother. A gum-chewing Sheila Allen in magnificently haughty form embodies the latter, understandably provoking the mocking irony of "The Lady Is a Tramp." This is put over with brisk, up-beat directness by Jessica Martin, hitherto best known for television work but who looks and sounds as if she has stepped off the silver screen *circa* 1940. Her climactic rendering of "Johnny One-Note," leading a company of hoofing, singing boys and girls variously in bolero jackets and hair-bows, as the Park's vegetation sparkles with fairy-lights and Simon Higlett's set flashes a Broadway theatre-sign, is the real thing.

The young cast's dancing (Kenn Oldfield choreographs, as in *Winter's Tale*) is snappy and whole-hearted. As yet a fantasy sequence in which ambitious Terry imagines herself a star lacks absolute conviction – the company here needs to relax more and enjoy themselves.

Paul Reeves, the ruefully-addressed Valentine, and Debra McCulloch, the sturdy Dorcas from *Winter's Tale*, are the plucky youngsters for whom the course of true love is bumpy if euphonious. As so often, they are almost eclipsed by the secondary couple, Jane Arden as the hard-boiled career-girl with a soft centre and Aiden Waters as the wimp who finally answers back. (In their high-kicking routine Mr Waters is especially memorable, turning cartwheels and doing back somersaults.) Briony Glassco, noted in these columns three years ago in a student Sondheim anthology, contributes to the spell of "Where or When". Ian Talbot's direction is robustly farcical; we could do with more of such time-honoured routines as Mr Howells scrupulously avoiding three times leaning on a table that he knows (as we do) will collapse, and finally doing so. Beautifully executed, the business reminds us that the familiar *can be just as funny as the* surprising.

Martin Hoyle

Company Notices

FIDELITY DISCOVERY FUND
Societe d'Investissement a Capital Variable
13, Boulevard de la Foire
R.C. Luxembourg B 22250

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of the Shareholders of FIDELITY DISCOVERY FUND, a societe d'investissement a capital variable organised under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the principal and registered office of the Fund, 13, Boulevard de la Foire, Luxembourg, at 11:00 a.m. on August 25, 1988, specifically, but without limitation, for the following purposes:

1. Presentation of the Report of the Board of Directors;
2. Presentation of the Report of the Statutory Auditor;
3. Approval of the balance sheet and income statement for the fiscal year ended April 30, 1988;
4. Discharge of the Board of Directors and the Statutory Auditor.
5. Election of seven (7) Directors, specifically the re-election of the following seven (7) present Directors: Messrs. Edward C. Johnson 3d, William L. Byrnes, Charles A. Fraser, Hisashi Kurokawa, John M.S. Patton, H.F. van den Hoven and Compagnie Fiduciaire;
6. Election of the Auditor, specifically the election of Coopers & Lybrand, Luxembourg;
7. Declaration of a cash dividend in respect of the fiscal year ended April 30, 1988, and *the authorisation of the Board of Directors to declare further dividends in respect of* fiscal year 1988 if necessary to enable the Fund to qualify for "distributor" status under United Kingdom tax law.
8. Consideration of such other business as may properly come before the Meeting.

Approval of the above items of the agenda will require the affirmative vote of a majority *of the shares present or represented at the Meeting with no minimum number of shares* required to be present or represented in order for a quorum to be present. Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the shares authorised for issuance, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

Dated: August 1, 1988

BY ORDER OF THE BOARD OF DIRECTORS

Ring Round the Moon

CHICHESTER

Chichester was a great place for Anouilh's plays in Sir John Clements's day, and it is good to see one here again. *Ring Round the Moon* is Christopher Fry's version of *L'Invitation au chateau* – version, rather than mere translation; Fry does not write *mere* translations, and moreover one of Anouilh's scenes, left out in his first production, has been reconstituted, and one scene added at Peter Brooke's request.

Anouilh's hero is a pair of identical twins, nephews of the wealthy Mme Desmortes (Googie Withers). Hugo is cold and calculating, Frederic is affectionate and kind, both are *Michael Siberry*, a young romantic actor of much charm. Diana, daughter of the rich businessman Messerschmann, (Linda Thorson) is engaged to Hugo, but Hugo, in order to persuade her to transfer to Frederic, hires an attractive dancer, Isabelle (Holly Aird), to inspire an atmosphere of jealousy. To tell all the complications would be, in my favourite borrowed phrase, like decanting champagne.

The ball that occupies most of the evening offstage, is a parade of amusing folk in entertaining situations on stage. Capulet (Madge Ryan), who trundles Mme Desmortes in her wheelchair, is an old *friend of Isabelle's talkative*, ambitious, common mother, and smuggles her into the ball as a false *comtesse*. Isabelle has a stand-up fight with Diana, and Diana's rich father, discouraged by his failure to bribe Isabelle to leave the field clear for his daughter, tears up *handfuls of money. There is* even a comic butler (Michael Denison).

It all adds up to a most *enjoyable evening under Elijah* Moshinsky's adept direction. The appearance of the twins at what should be only-just-possible intervals is not ideally managed, though. Too often one simply sees Mr Siberry leave the stage and immediately turn round and return, but no doubt this will improve in a while.

The set by Saul Radomsky shows the frontage of a handsome house with a terrace in front where all the action takes place between two tall brass palms. (There is a door in the frontage where action is occasionally set that cannot be visible to all the house.) The delightful costumes worn by Isabelle, Diana and indeed all the ladies, are designed by Luciana Arrighi, and music by Richard Rodney Bennett sounds prettily offstage as if at a film. This is one of the most pleasant Chichester evenings I have been to for quite a while.

B.A.Young

FINANCIAL TIMES

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Friday August 5 1988

Two views on Europe

IT IS a long time since differences between Britain and France over development of the European Community have been etched as sharply as in recent exchanges over how much economic policy integration should accompany the planned single market. However, the nature of the divide is quite unlike those in the past and says much about shifting political attitudes in Europe.

France is in the vanguard of demands for EC fiscal harmonisation, monetary union and creation of a European central bank. Mrs Thatcher – invoking approvingly the views of General de Gaulle – is staunchly resisting the loss of national sovereignty implied by such proposals, and has scorned as "airy-fairy" any idea of a United States of Europe.

It is ironic that Britain seems to be embracing the Gaullist vision of a Europe of nation-states which France has now forsaken. The watershed in French thinking was the failure of its go-it-alone dash for growth in the early 1980s, which brutally revealed the limits to national policy autonomy in an increasingly interdependent world economy. Since then, Paris has abruptly switched tactics and focused on the wider European dimension. Its determination to cling to a fixed parity in the European Monetary System and its eager mobilisation of popular support for 1992 are clear evidence of its new approach.

European high table

It would be premature, however, to conclude that France has also abandoned Gaullist opposition to supranationalism – or its long-cherished pretensions to European leadership. Paris is at least as wary as London of entrusting new powers to the European Commission, and is quick to challenge any furtive attempt by the latter to enlarge its own role. In the French view, decision-making authority must remain firmly under the control of governments as opposed to bureaucrats. What has changed is that it now believes more of those decisions need to be taken jointly in the EC council of ministers or other inter-government bodies.

France apparently considers that increased European integration is both inevitable and offers a more effective channel for promoting its own national interest than continuing to act on its own. Offering now to compromise on sovereign prerogatives, such as control over monetary policy, is viewed as a small price to pay for a prominent seat at a future European high table – and a big say in the table's design.

Good grace

Britain's EC posture has also evolved in the past few years. It has learned to negotiate constructively in Brussels, helping to secure decisions on agriculture and budget issues which have been good for the Community as well as itself. The government has also accepted with good grace increased EC intervention on UK state aids and competition issues.

Yet where the UK diverges most clearly from France on the future of the Community is in its clear reluctance to enlarge greatly the scope of joint decision-making in Brussels. In its view, more is to be gained by a series of little steps, such as making more use of the Ecu in international financing, than by grand leaps of faith towards European union.

It is easy to dismiss such assertions merely as a smokescreen masking a lack of EC commitment. But then France's approach could be interpreted equally as a cold calculation of national advantage dressed up in Euro-rhetoric. If that is all there is to the two countries' positions, the debate is likely to prove sterile.

However, the opposing arguments can also make legitimate and positive contributions. Europe needs both the spur of Gallic vision and the discipline of Anglo-Saxon pragmatism. To win decisive influence in the debate, Britain must convince the rest of the EC that its prime motivation is not reactionary chauvinism, while France needs to dispel any impression that it is engaged simply in a ploy to grab leadership by stealth.

End of an era in Singapore

IT IS NO coincidence that the constitution of Singapore is being more profoundly revised this year than at any time since the country broke from Malaysia in 1965 to become fully independent. In September, Mr Lee Kuan Yew, Prime Minister since 1959, reaches 65, the age at which he has said he will contemplate stepping down, or as the case may now be, stepping up.

The man and the nation have, in the past three decades, become almost synonymous. Harry Lee, as he was better known in Britain during the fight for independence and the subsequent fierce struggles against the communists, has been hailed as a model for post-colonial leaders. He had a vision for his country and strove for it. In large measure he has succeeded, without abandoning the structures of democratic government.

The response of Singaporeans is obvious to any visitor to the country. They have created a highly efficient state, largely through their own commitment and virtually unaided by natural resources. The resilience of the economy has been proven by the swift climb out of the 1985 recession to an anticipated growth rate this year of 8-9 per cent. The economy has been specifically tailored with the foreign investor in mind. Political stability, excellent communications, highly disciplined labour and internationally competitive costs have been the main yardsticks against which Mr Lee has measured his country's progress.

Winning formula

So why change any part of this winning formula? It could have been that Mr Lee felt the need to meet a demand from the better educated part of the population for less government, and more precisely, less interventionist government. However, the reverse appears to be the case. The successful leader seems to lack faith both in the system and in those who will operate it after he has left the premiership.

The white paper tabled in parliament last week proposes an additional tier of government: an elected but non-executive president who will have the power to block government decisions on the spending of the country's reserves and will have a decisive voice in the appointment of all senior civil servants. He will also have the right to attend and address parliament. It is being argued that Singapore has hitherto lacked one of the checks and balances provided for in bi-cameral democracies. The new President will, it is said, act as the state's custodian to ensure that a future Parliament behaves with financial responsibility and does not dilute the quality of the civil service.

Main flaw

Mr Lee would undoubtedly have fought such a proposal vigorously had any of his colleagues sought to enact it during the past nearly 30 years. And herein lies probably the main flaw of an elected presidency as proposed. It appears to be a reaction to personal rather than institutional circumstances.

The option was there to create a small upper chamber with many of the powers that are to be given to the new president. Even the same requirements for candidates could have been imposed, ensuring that they were experienced, proven politicians. Instead, the power is to be vested in one man, who as stated in the white paper, must on occasion have the courage to tell the prime minister and parliament they are wrong.

There is a measure of inevitability, even agreement, in Singapore on who that man should be. But there will only be one Lee Kuan Yew in the history of the nation and, should he suddenly no longer be part of the political scene, the presidential option could pose even greater risks than Mr Lee currently perceives in nominating a prime minister to replace him.

During the past year Singapore has caused concern among its admirers that it has become less tolerant of criticism. Even members of Mr Lee's dominant People's Action Party have begun to refer openly to a sense of intimidation among the electorate, and to a loss of confidence in the younger generation of political leaders. It would be a sad reflection on Mr Lee's achievements if, by seeking to perpetuate his personal influence on Singapore, he damages the credibility of those he wishes to succeed him.

Terry Dodsworth and Hugo Dixon on a nascent cellular telephone network

Europe dials up the future

Over the last two or three years, the European telecommunications industry has begun the painful process of breaking down trading barriers constructed over almost a century of protectionist policy making. Yet the most significant change in this period could well prove to be something that has developed at the periphery – a pan-European car telephone system which will allow motorists to drive from Stockholm to Madrid and use the same receiver all the way.

The first orders for this ambitious new project are rippling through the EC and a group of bordering territories during the course of this summer. They will be awarded on a country by country basis, taking in 15 nations in total, and involving a countless number of manufacturers.

Yet behind this piecemeal contracting procedure lies an enormous effort in co-ordination, a grand plan put together by companies and administrators who believe passionately that the European telecommunications industry has to regionalise or die.

The crucial point about this programme is that it allows the industry to develop a system from scratch. Virtually everything in the pan-European network will depend upon a mobile version of digital technology – which transmits the signals as a series of computer digits rather than the traditional analogue technique used to convey ordinary telephone conversations. Such a combination of mobile and digital technology has not been used before anywhere in the world.

An entire new infrastructure of switches and base stations will have to be constructed throughout Europe, along with complex software that will be developed specially for the project. Manufacturers will need to design a new generation of telephone handsets, along with a range of semi-conductors to go inside them. Even the operating companies that will run this network will in some cases be new, and when they are not, they are likely to enjoy a high degree of independence from the traditional public telephone companies which control European telecommunications at present.

All these factors mean that the organisers of the pan-European initiative can jettison a great deal of the historical baggage that has slowed down the development of European telecommunications over the last few years. This, indeed, is one of the main reasons why those who are now pushing the concept through seized upon it with such enthusiasm in the first place. They aim to use the system to demonstrate European unity, as a showcase for the ideas that lie behind the EC Commission's drive to create a genuinely integrated market in 1992.

"What is being done is incredible, with marvellous close co-operation throughout Europe," says Mr Armin Silberhorn, head of the West German mobile communications authority. "I believe that the project is as important as Airbus or Ariane to the future of the region."

Just three or four years ago, it would have been absurd to make these sort of claims for the car telephone industry. But since then the outlook for mobile communications has changed radically.

First of all, the present generation of car telephones, based on the cellular technology that was launched in the early 1980s, has proved a runaway success in Scandinavia and the UK, the two areas that have adopted the system most aggressively. In the cellular system, the country is divided into "cells", each containing a transmitter and receiver; the subscriber is automatically connected to another transmitter as he moves from one cell to the next. Subscribers have joined this network at a rate that has far exceeded original expectations, reaching 300,000 in three and a half years in the UK.

This expansion, particularly in the UK, where the industry was deliberately launched with two competing network operators, has drummed home two strong messages to the rest of Europe.

Firstly, the cellular industry has shown that competition pays, driving down prices and helping develop a broader sales appeal that naturally expands the available customer base. Second, it has demonstrated that it can simultaneously offer a healthy market to equipment suppliers and handsome returns to operating companies.

Here again, the UK has proved a galvanising influence. The plans to sell off part of Vodafone, one of the two UK car telephone operators, have attracted attention right across Europe. It has not been lost on the industry that this three-and-a-half-year old company could have a market value of about £2bn – a valuation approaching that of Philips, Europe's leading electronics group.

Despite these successes, however, the first round of cellular market development has also been one of missed opportunities for Europe, particularly for companies within the EC.

This has been particularly so in the UK, where the swift expansion of the system has meant surrendering the equipment business to well-prepared companies outside the EC. Even in the more controlled markets of the Continent, where operators have tended to opt for local suppliers, there has been a significant penalty. Prices in these countries have been much higher, the equipment slower to arrive on the market, and the development of sales consequently slower.

The reasons for this failure to exploit the current cellular market are difficult to pin down. Inertia and inexperience in this new technology field are undoubtedly part of the cause, along with Europe's endemic weakness in semiconductors. But the technocrats and industrialists behind the push into digital systems also argue that European producers have been hampered by Europe's deeply entrenched structure of vertical national markets in telecommunications.

Here was a growth sector, they contended, which needed to be tackled on a regional basis to give producers a sufficiently large potential market to offset their risks. Digital cellular telephone systems presented a golden opportunity to reap those benefits because every country would have to introduce such a system eventually as the capacity of the radio channels used by the present networks ran out. Once this principle was accepted, it was a small step to standardising the new digital system throughout the participating nations, which would bring with it the added bonus of telephone handsets that would operate anywhere within those boundaries.

An entire new infrastructure of switches and base stations will have to be constructed throughout Europe

The development strategy that has grown out of this perception runs something like this:

- The countries signing the digital accord, mainly in the EC but also including the non-Communist countries around the border to add weight to the market, have agreed to introduce the system in a series of co-ordinated steps. These are aimed at a final launch date in 1991, a clear target for the engineers.
- All the equipment for the system has to be designed around a set of commonly agreed standards so that suppliers will be totally interchangeable – a move that clearly injects a strong element of competition into the market. "We shall launch our system with two different infrastructure suppliers for Paris and Lyons," says Mr Philippe Dupuis, head of the France Telecom mobile operating company. "In that way we can compare the two, and if one of them is clearly superior he will win the contracts for expanding the system."
- The creation of the network standards is being channelled into committees combining representatives of both the operating groups and European manufacturing companies. "Our idea was that by working in parallel with the operators, the European producers would be given a few months' advantage over foreign suppliers," says one of the officials behind the project.
- Manufacturers are being encouraged to form alliances to help speed up development work, spread costs and begin the shift towards cross border contracting.
- Competition is also being spread into the network operating sector, where both France and West Germany are set to follow the example of the UK and licence a rival to the organisation run by the state-owned telephone company.

These decisions have clearly created a market with sufficiently attractive prospects to enthuse producers throughout the region. Their sales opportunities are effectively split in two, between telephone handsets on the one hand and infrastructure equipment on the other – the switches and radio transmission stations that transfer signals from the wired telephone network to the mobile handsets.

"We believe that the market ought to amount to at least £700m a year, and it could be at least double that figure, depending on how quickly subscribers are attracted to it," says Mr Don Pinches, managing director of Orbitel, the UK equipment company.

To what extent these new processes will help the European manufacturing industry in the long term remains very much an open question.

On the infrastructure equipment side, the initial round of orders will unquestionably have a heavy bias towards European-owned manufacturers. Indeed, NEC, the Japanese company, which has tendered in four different countries, concedes that it would be surprising if it were chosen in any of them; while Motorola of the US, despite a heavy manufacturing presence in the EC, says that it felt at a distinct disadvantage in the initial discussions about the digital network.

On the other hand, the creation of a pan-European system working on open standards means that it will be harder to block out foreigners by the old system of national preference in procurement. And in the telephone handset sector, where the worldwide industry is currently dominated by two Japanese companies, NEC and Panasonic, one American company, Motorola and a peripheral European in Nokia of Finland, the Europeans may find it hard to mount an effective counter-attack.

In terms of the operating companies, however, the changes have already made a substantial impact, and are likely to have an even bigger one in the future. This is because the growth of mobile systems is leading inexorably both towards fresh competition for the existing wired telephone system, and towards new ways of running telephone service operations.

The cellular mobile companies are already much more market-oriented than the state-owned national network groups; and because they are now moving into the era of the pan-European system, they are looking naturally to ways of extending their influence beyond their own borders.

One of the initiatives that the French, German and British companies are considering, for example, is cross-shareholdings in similar foreign groups. The French and the Germans also argue that the decision to launch competing private groups in their domestic markets means that they will have to have more operating flexibility than is normal in their parent groups. It is hard to believe that some of these new ideas will not percolate into the parent organisations over time.

"In the old days," says Mr Silberhorn, "if I wanted to contact a colleague overseas I would write a letter that would be signed by my superior. Today I have my British, French, Italian and Greek colleagues on my short button telephone, and if I can't get them that way I write out a message and send it over my telefax machine myself. We are a new generation and we work in a different way."

European subscribers to mobile systems

UK	311,000
Sweden	192,000
Norway	131,100
Denmark	85,800
Finland	80,600
W.Germany	62,900
France	60,000
Austria	28,400
Netherlands	27,600
Italy	21,500
Switzerland	10,900
Belgium	6,900
Iceland	5,500
Spain	6,000
Ireland	3,800
Luxembourg	200

Worldwide market shares for handsets (May 1988)

Nokia-Mobira	13.4%
Motorola/Storno	12.8%
NEC	11.2%
Toshiba/Audiovox	9.5%
Novatel	8.4%
Panasonic	8.0%
OKI	7.0%
Mitsubishi	6.7%
Ericsson	3.9%
Philips	3.6%
Siemens	3.1%
Others	12.3%

Mobile telephones

Out on top down under

■ Improbable though it may seem, Australia is proving a political pushover for Mrs Thatcher. Apart from noisy demonstrators in Melbourne, memorably dismissed by a Thatcher aide with a brusque Yorkshire turn of phrase as "provos and poufters" – there has been little to disrupt her serene progress.

Not that Mrs Thatcher has drawn crowds of wellwishers. If proof were needed that colonial nostalgia for Britain is dead and buried, it was provided by the mere sprinkling of onlookers attracted to most of her public appearances. The Prime Minister has scored in the political arena.

Even the most hardened Australian political commentators were grudgingly impressed by her performance at the National Press Club on Wednesday. They referred in print to her aura of leadership, the depth of her commitment, her total self-confidence and to the deft footwork displayed in handling questions. The Peter Wright "Spycatcher" case surfaced briefly, only to be cut off at the knees because it was said to be still sub-judice.

But it is the comparison with Australia's own political leadership which seems to have struck people most forcefully. The attitude of Mr John Howard, the opposition leader, in the presence of his ideological soulmate was seen by many as verging on the obsequious. As for Mr Bob Hawke, the premier and rumbustious, tough-spoken union boss of years past, he has, with his now beautifully-coiffured silver hair and elegant suits, mellowed into something resembling a social democrat leading his party from much further to the right than dared even by Neil Kinnock.

The sight of Mr Hawke and Mrs Thatcher being so nice to each other has however reinforced the sense of ideological betrayal on the left. And one right wing lady, incensed by the prospect that Mr Bill Hayden, the Foreign Minister, will be next governor general, hissed: "The man is a self-confessed atheist, a heathen, and he does not respect the Queen. Why doesn't that woman do something?"

OBSERVER

"Room service – won't someone say g'day to me?"

Pop of the tops

■ Mr Sam McCluskie, the seamens' union leader, and Mr John Prescott, Labour's Energy spokesman, have shown fine innovative thinking in their joint venture to produce a pop record to raise cash for seamen who have been strike. The song is called "Why Don't They Leave Us Alone?" and it should be emulated by statesmen and businessmen everywhere.

For example, if President Reagan could manage to record "On the Good Ship Lollipop" in suitable Shirley Temple dress, sales of the single would very likely wipe out the US deficit. Mr Gary Hart could be forgiven everything, even his campaign debts, for just one rendition of "Girls Were Made to Love and Kiss." Mr George Bush might win the Presidential election after all if he could just find the words for his own distinct version of "I Did It My Way" – but he would have to watch out for a Michael Dukakis who no doubt has a hundred new verses for "Deep in the Heart of Texas." (George Bush won't fight/ He's outta sight/ Deep in the heart of Texas, etc). Mr Jesse Jackson could do a touching "It's My Party and I'll Cry If I Want to".

Britain's Prime Minister, Mrs Margaret Thatcher, could belt out a wonderful duet with her Chancellor of the Exchequer, Mr Nigel Lawson, to the tune of "You say to-may-toe, I say to-mah-toe", with the words perhaps changed to "I say the market, you say D-Mark it" and the two, in a final swirl, agreeing, "let's call the whole thing off." Not every admirer of hers wants to call it off. The Labour Party Leader, Mr Neil Kinnock, is already humming "How Would You Like to Be/In the TUC With Me" in preparation for the Trades Union Congress and Labour Party conferences next month. (It's a bit too soon for "La Vie en Rose"). His deputy, Mr Roy Hattersley, knows very well, "I am the Man, the Very Fat Man, Who Waters the Workers Beer."

Powers cut

■ After the fur which has been flying ahead of electricity privatisation, it was good to see the two heads of the industry positively purring in unison yesterday despite a £300m decline in profits since 1987.

For Whitehall cognoscenti, the annual results press conference for the £37bn industry used to be regarded as one of the better shows in town: Sir Philip Jones, chairman of the Electricity Council, and Lord Marshall, head of the Central Electricity Generating Board, would pace warily round each other with arched backs and bristling politeness.

But in spite of a packed house, the best that Lord Marshall could manage yesterday was a crack about how Sir Philip must have agreed with him once. As his superior in the Department of Energy, he had "presumably" approved a paper written by his lordship. But Sir Philip beamed with positively episcopal charity as he recalled how well they had agreed in those days.

Both now have declining territories, with the CEGB due to be broken up and the Council decommissioned altogether. Although they are doubtless sad, Lord Marshall at least celebrated the demise of the old order in style, inviting many of the great and the good (though not the chairman of the 12 area electricity boards) to a recent performance of the Brahms German Requiem in St Pauls Cathedral.

Nor has Lord Marshall lost that pithy directness which was the despair of politicians and civil servants, even when profits were rising. He told one questioner yesterday that using power station cooling water to heat homes would work well on two conditions: the disappearance of British Gas and the abolition of democracy.

Tender offer

■ While Mr Peter Clowes, former head of the collapsed financial empire, was appearing in court yesterday, liquidators were preparing for a further sale of the assets of Barlow Clowes Gilt Managers Ltd, to raise money for the creditors.

The last auction organised a week ago by Frank G Bowen of Greek Street London, offered four Volvo estate cars, a 1975 Jensen Interceptor, an Austin Mini Moke, 15 knitting machines, Australian wines, groceries, ladies clothing and 285,984 Mates condoms. Bowen says the date of the next sale has yet to be fixed.

Andrew Gowers looks at the revitalisation of the United Nations

Steering a surer course at last

NEW YORK

In his efforts to arrange a ceasefire between Iran and Iraq this week, Mr Javier Perez de Cuellar is playing for more than an end to the eight-year-old Gulf war. The patient Peruvian Secretary-General of the United Nations knows that there is a lot at stake for his own organisation, too.

A successful outcome to his talks with the Iranian and Iraqi Foreign Ministers would be a significant boost at a time of rapid general improvement in the UN's political – if not financial – fortunes, as well as redeeming a series of fateful errors by the UN over the Gulf conflict.

With the Soviet withdrawal from Afghanistan, with progress towards peace in south-western Africa and with signs of movement on other regional conflicts from the Western Sahara to Cyprus to Kampuchea, it looks as if the organisation is beginning to shrug off 40 years of unfulfilled expectations and to carve out for itself a genuinely central role on the world stage.

Senior officials in the organisation's tower-block headquarters in New York are slightly bemused that the UN is back in the limelight after years of often unfair criticism of its ineffectiveness, of its bureaucracy or of the radical political poses struck by many of its members. They worry that expectations are currently being raised too high and could be cruelly dashed to the UN's disadvantage.

There is a new appreciation of the UN's role in reconciling belligerents when they want to stop fighting

Clearly, we are also a long way from being able to talk about a rediscovery of the idealism and authority which imbued the UN Charter in 1945. Drawn up by the victorious wartime allies as a plan for confronting threats to world peace such as those created by Hitler, Mussolini and Japan in the 1930s, it swiftly fell victim to the crumbling of that alliance and the Cold War. The underlying notion of collective security, backed where necessary by collective enforcement of decisions by the great powers, was shattered by the disunity among the permanent members of the Security Council – the US, Britain, France, the Soviet Union and China.

There followed a secular erosion of credibility, in which the ideals proclaimed for the UN as guarantor of international peace collided with the reality of endless political wrangling and the realisation that it could only work if its members wanted it to. The organisation scored numerous important successes – stopping the Arab-Israeli war of 1948 and helping to avert superpower confrontation as a result of the October war of 1973, for example. But in general its approach to peace-making and peace-keeping, from the Congo to Lebanon, had to be improvised in the face of deep disagreements between East and West as to what the UN's role should be.

Today, in the words of Sir Brian Urquhart, the Briton who served as a top UN official for most of the last 40 years, the organisation is improvising its way back towards a position of influence: not the omnipotent supranational force starrily envisaged after the Second World War, perhaps, but a more down-to-earth, workmanlike perception that the UN can be really useful in the right circumstances.

There is no more sign now than before that the organisation can impose its will on – or take effective enforcement action against – recalcitrant parties: witness the Security Council's failure to agree on sanctions against Iran over the last 12 months and its inability to curb Iraq's current truculence. But there is at least a new appreciation of the UN's good offices in bringing belligerents together when they want to stop fighting.

"It's very good that the world sees the UN being active again, and that nobody's talking about the UN doing it all by itself: the reality is that it can provide a very useful forum and useful mechanisms if the main powers in the world are ready to use it," says Mr Marrack Goulding, who succeeded Sir Brian as Under Secretary-General for Special Political Affairs.

How, then, has this sea change come about? There would appear to be four main factors at work.

Firstly, the radical improvement in East-West relations, which has brought forth a much greater readiness on the part of the superpowers to work together in resolving regional conflicts. At the UN, it has transformed the work of the Security Council since the beginning of last year, with the permanent members co-operating closely over the Gulf war.

The perception of unity at the top has made a great impact on other Council members, and beyond. "The notion that people used to have that you could play the US and the Soviet Union off against each other was immensely damaging for the authority of the Security Council," recalls Sir Brian. "Now the fact is that the international climate is much better because the big boys have realised that their behaviour was reprehensible. That certainly has an effect on the rest of the school."

Next, the Soviet Union's attitude towards the UN itself has been transformed. It is a natural vehicle for Mr Mikhail Gorbachev's policy of achieving greater international respectability and securing a dignified disengagement from regional conflicts.

In the last year, he has dropped the old Soviet reservations about UN peace-keeping activities, always the object of intense suspicion in Moscow in the old days because of their *ad hoc* nature and because they were run by the UN secretariat, beyond direct Soviet control.

Last September, he suggested building the organisation into what he called "a comprehensive system of security" which would incorporate confidence-building measures involving political, economic, environmental and humanitarian issues. Moscow's acting chief delegate in New York, Mr Valentin Lozinsky, goes so far as to say that the Gulf peace initiative, if successful, "could be the beginning of a kind of rebirth of the UN, or a development that could give the UN a role it never had before."

Thirdly, there has also been a sharp change in the behaviour of many developing countries at the UN. Gone is the radical anti-Western posturing by newly independent states in the 1960s and 1970s. Instead, a wind of pragmatism has swept through the organisation's Third World majority.

Sir Crispin Tickell, Britain's UN ambassador, says the changing attitude to the West in developing countries – reflecting their indebtedness, their need for Western capital, the political and economic changes in the Soviet Union and China, and Moscow's new policy of telling its client states that they can no longer expect a blank cheque – has had a major effect on the climate at the UN.

There are other straws in the wind. Japan, for example, is becoming much more deeply involved in the UN as part of its cautious effort to develop a political role commensurate with its economic power. Earlier this year, it made a one-off payment of $20m to assist the organisation with its financial problems, especially in peace-keeping. For the first time it assigned an observer to the team monitoring the Soviet withdrawal from Afghanistan or other assistance for the proposed truce supervision force in the Gulf.

The feeling is, in the words of a senior adviser to Mr Perez de Cuellar, that "the UN is a safe place to use money to improve your international status. It shows good international citizenship but reassures people that you're not going to use your commercial strength to push them around."

So much for the credit side of the balance-sheet. The two great qualifications which need to be injected concern the attitude of the US and the UN's parlous financial situation.

President Reagan and his conservative supporters came to office with a deep-seated hostility towards the UN. They saw the multilateral approach to diplomacy which it embodied as a threat to their freedom of action in unilaterally projecting US power. They accused it of a basic anti-Western bias, of prejudice against that overriding US interest, Israel, and of profligacy.

There was, of course, more than a germ of truth in some of the objections. The UN has been a bloated bureaucracy in the past, though it has taken considerable steps to eliminate the fat in the past couple of years. The General Assembly did make foolish statements from time to time. But the fact that a lot has changed in the last eight years has been extremely slow to sink in on Capitol Hill, even if it has dawned on the more pragmatically-minded second Reagan administration.

The years of confrontation with the US did enormous harm to what was left of the UN's authority and effectiveness. Although the State Department has been able to repair some of the political damage – principally by turning to the UN over the Iran/Iraq war last year – its approach remains highly selective: the UN can mediate on the Gulf but must be kept at arm's length over the Arab-Israel conflict. It can involve itself in Namibia but should keep its nose out of Central America.

The after-effects of the bad blood are still all too obvious. The US, responsible for 25 per cent of UN funding, is withholding a total to date of $467m from the UN's regular budget and $70m from peace-keeping activities. Washington has by far the largest arrears of any UN member state, at a time when the Soviet Union is backing its words with money by paying off its own arrears.

Washington's failure to pay up is causing an unprecedented crisis in which the organisation will be literally insolvent by early November without an injection of funds from elsewhere. Further financial reforms involving a fundamental debate about the UN's future role seem likely, and there is a danger that the leading Western power will have disqualified itself from joining in.

There can be few sights more incongruous than that of a trusted mediator passing round the begging bowl, or of an organisation on the point of bankruptcy working to bring one of the most protracted and damaging wars of the 20th century to an end.

LOMBARD

The policy doughnut

By Joe Rogaly

BRITAIN'S NEW centre-left think tank, the Institute for Policy Research (IPR), suffers from a possibly fatal flaw. It has no new philosophical standpoint from which to start its deliberations.

Its founders simply reject the agenda set by the right-wing, market-oriented research institutes which have provided the intellectual backing for the conservative policies of both President Reagan in the US and Mrs Margaret Thatcher in the UK.

Its proponents do not agree that the market always knows best about every aspect of public policy. They do not accept that public expenditure is in itself always to be regretted. They reject the notion that privatisation is by definition a good thing.

These are reasonable positions for a left-of-centre institute, but they constitute a set of negatives. What is missing is a positive alternative. This hole at the centre is likely to reduce the effectiveness of the IPR as an instrument for changing the perceptions of "leaders of opinion" and, eventually, voters.

The Institute of Economic Affairs (IEA), the first of the modern British right-wing think tanks, has always been guided by its faith in the efficacy of markets. The faith came first; creation of the institute second. The same can be said of most of the other policy factories of the IEA's persuasion, including the Centre for Policy Studies and, in the US, the Manhattan Institute.

In setting out to challenge that faith, the IPR would be better off in the US, where there is much evidence that the pendulum is swinging away from the conservative right. In the US, however, there is no serious dispute about either the need to create wealth or the proposition that in broad areas of public life capitalism is the best mechanism for so doing. The argument is about the quantity of federal spending and the degree of government intervention.

In Britain the dispute is more fundamental. Labour, the main opposition party, does not warmly embrace capitalism. The Social and Liberal Democrats have yet to clarify their position. Worse: no modern political polemicist, no latter-day Hayek, has come forward to argue the case for something that is neither socialism nor unbridled individualism.

Marxist socialism is now discredited. Corporate-state semi-socialism could not be a basis for election-winning policies, even though – in the UK – many trade unionists and opposition politicians hanker for it. The social market economy has been captured by conservatives who see the word "market" but not always the word "social". The left is caught between a lingering longing for the certainties of the past, and a growing dread that without something new to offer it will never regain power.

In the US the Democrats can safely ignore ideology. The election campaign of Mr Michael Dukakis will not admit of what the Americans call the "L-word" (liberalism) or the "T-word" (taxation). Mr Dukakis, it is being argued, will be a better manager and administrator than would Mr George Bush, his Republican opponent, but he would not seek to re-introduce the Great Society.

In Britain it would be difficult for Mr Neil Kinnock, the Labour Party leader, to argue that he and his team would manage the market economy better than the Conservatives. They have to think of a new approach. Perhaps the IPS will help to fill the hole in the doughnut, but its birth would be more auspicious if the hole were not there in the first place.

Here is a free suggestion:

Accept the market as a means of generating wealth. Insist on genuine competition, and no subsidies anywhere (including electricity, water, roads, rail and so on). Then concentrate the debate on the limitations of growth; the environment; the most socially beneficial way of spreading the wealth the market generates, and the liberties of the citizen.

Do it properly, and the Thatcherite-Reaganite Right will be knocked off its feet.

LETTERS

Making sense of the boom

From Mr Keith Skeoch and Mr Gwyn Hacche.

Sir, Your leader "The boom goes on" (July 28) either makes an elementary error or contains a statistical sleight of hand.

You question the assertion that capital goods rather than consumer goods have been the main source of growth in imports, and correctly point out that the volume of imports of cars rose by 14 per cent in the second quarter, whereas imports of capital goods on the same basis rose by only 6 per cent.

However, the increases in the volume figures alone give little idea of their relative importance.

In order to assess their relative contributions to overall import growth the increases in volume for each commodity category need to be adjusted by their relevant weights. Passenger cars have a weight of 42 in 1000 and therefore contributed 0.6 per cent to growth in total import volumes of 7.5 per cent. They thus made virtually the same contribution as capital goods, which have a much larger weight of 94 in 1000.

Furthermore, if you consider the situation over a longer time period the evidence becomes more clear cut. The deterioration in the current account began in 1982 when the surplus fell to £4.5bn from £6.7bn in 1981. If we compare the first half of 1988 with 1982, we find that the volume of capital goods imported rose by 126 per cent, and contributed 11.6 per cent (that is, 23 per cent) to a rise in overall import volumes of 50.8 per cent. This compares with a rise in consumer goods (including passenger cars) of 65.2 per cent which contributed 6.2 per cent (12 per cent) to the rise in total import volumes over the same period.

The evidence is incontrovertible; capital goods have been more important in explaining the sharp rise in imports than consumer goods. It would, however, be wrong to argue that capital imports were the dominant influence – which appears to be the official line. Imports of semi-manufactures, basic materials and fuels, all of which are essential to facilitate output, account for 45.2 per cent of the rise in total import volumes over the period.

The critical point to note is that nearly 70 per cent of the rise in import volumes since 1982 is associated either with the facilitation of output or an improvement in the quality or expansion of the capital stock. This should ameliorate the inflationary consequences of the buoyancy of demand and deterioration in the current account.

Keith Skeoch,
Gwyn Hacche,
James Capel & Co,
6 Bevis Marks, EC3

Basic to understanding

From Mr Tim Congdon.

Sir, Mr Philip Stephens asserts (July 30) that "the collapse in world oil prices and the subsequent sharp fall in the pound's value" turned the UK's steady growth in the early 1980s to the economic boom of the last two years. I suggest that another influence was far more important.

A sharp fall in oil prices could help UK economic activity in two ways. First, because of the stimulus to the world economy and the possible competitive gains to the non-oil economy from a lower sterling exchange rate, export growth could exceed import growth. If this part of the argument was right, we would expect UK exports to have risen more rapidly than imports in the last two years.

In fact, between the second quarter 1986 (when oil prices were at their lowest) and the second quarter 1988, export volume increased by 8.1 per cent and import volume by 22.2 per cent. The excess of import growth over export growth represents a net withdrawal of demand from the UK economy equivalent to no less than 5 per cent of gross domestic product.

Second, the drop in the oil price could boost real incomes and facilitate an increase in consumption. This undoubtedly did occur in oil-importing industrial nations, but it needs to be emphasised that the UK was a net oil exporter in 1986 and still is today. Lower oil prices did not increase the UK's national disposable income, but made us worse off.

Most of the variables that might have influenced economic activity were reasonably stable in 1985 and 1986. The exception was the money supply. The annual growth rate of M3 rose from under 12 per cent in the second quarter 1985 to almost 19 per cent in the second quarter 1988.

This monetary stimulus had its impact on demand and output after the usual lag of about six months to a year. The monetary acceleration was so well-defined, and the implied boost to spending so strong, that no one should have been surprised at the economy's buoyancy from mid-1986 on.

The issue of the money supply is basic to understanding the behaviour of the economy. Both the Government and most private sector forecasters failed to foresee the boom of the last two years, the consequent deterioration in the balance of payments and the return of inflationary worries. But all these developments were the logical result of the abandonment of broad money targets in the middle of 1985 and the upturn in M3 growth which soon followed.

Tim Congdon,
Shearson Lehman Hutton,
1 Broadgate, EC2

UK's return is well-balanced

From Mr K. Reuter.

Sir, Peter Marsh concludes (July 13) that the UK's return from the European Space Agency (ESA) is low compared to its contribution.

Although Mr Marsh uses accurate figures, he compares cumulative government spending from 1972 to 1987 with contracts awarded over the same period. These figures cannot be compared, because a sizeable part of figures for awarded contracts relates to outstanding commitments that will be paid in 1988, 1989, 1990 and so on (some of the projects will last well beyond the mid-1990s).

They represent only a part of the sums awarded to industry, because only part of the contract amounts can be traced back to individual firms – also the published contract data are affected by cut-off limits which vary from country to country (clearly indicated, indeed, in the European Space Directory).

Furthermore, by referring to unweighted amounts, Mr Marsh is really putting development and support activities on a par. This is misleading, because such a comparison will obviously show countries with ESA establishments as having better returns.

The UK's industrial return is well balanced compared to that of the other countries.

K. Reuter,
Head of the Director General's Cabinet,
European Space Agency,
8-10 rue Mario-Nikis
75738 Paris,
France

Objective is value for money

From Mrs Pat Nelson.

Sir, You report (August 3) the chairman of Gardner Merchant as saying that his "company would not go anywhere near councils, such as Sheffield, which were hostile to privatising of services."

It ought to be made clear that Sheffield City Council is opposed to "privatising" services, but I thought the Government's proposals were to enforce "competitive tendering," not "privatisation."

However, we are also opposed to compulsory competitive tendering of the sort the Government is promoting, because we believe it is based on securing short-term profits rather than securing long-term value for money for ratepayers.

That view is shared by the majority of local authorities of all political persuasions.

The only justification companies might have for declining to tender in Sheffield is that they believe that their contract performance would be rigorously monitored and enforced, and that they would not be able to profit by taking shortcuts or not doing what they have contracted to provide.

It is logical, therefore, that such contractors will concentrate their tendering resources on those areas where there is ideological support for privatisation, but little interest in securing good value for ratepayers.

Pat Nelson,
Members' Library,
Town Hall,
Sheffield

FINANCIAL TIMES
Friday August 5 1988

Italtel executive Marisa Bellisario dies

By John Wyles in Rome

MARISA BELLISARIO, managing director of Italtel, Italy's state-owned telecommunications equipment manufacturer, and one of the country's leading business personalities, died in Turin yesterday after a brief illness.

A vivacious, highly intelligent woman, she transformed Italtel from a financially ailing company to an effective and profitable competitor at home and abroad.

Mr Ciriaco De Mita, the Prime Minister, said she was a "symbol of feminine victory in Italy," while Mr Bettino Craxi, former Prime Minister and Socialist Party leader, called her "an example of intelligence, tenacity and feminine will" and "a comrade of whom the Socialist Party was proud."

Bellisario's open political affiliation caused major controversy last year when the Fiat group called off a merger between its Telettra subsidiary and Italtel rather than accept her as managing director of the new company.

Bellisario's industrial career began with Olivetti's electronics division in 1960. In 1965 she became responsible for product planning and in 1969 she found herself working for Honeywell Information Systems Italy after it had purchased GE's Italian unit.

She returned to Olivetti in 1972 and after becoming head of the company's informatics group in 1978, she moved to Italtel in 1981. She is survived by her husband, Professor Lionello Cantoni.

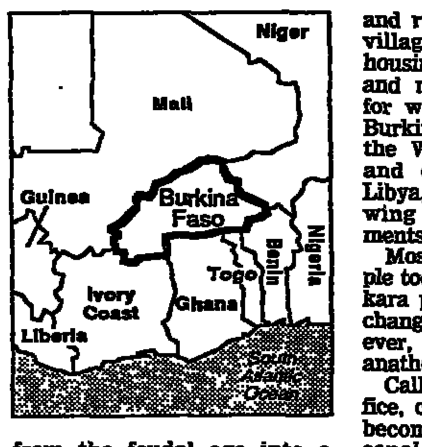
Mrs Bellisario: soft spoken, but with a steely determination

Shifting sands of a turbulent land

Nicholas Woodsworth looks at Burkina Faso after Thomas Sankara

IT has all the makings of a lurid best-seller. A former desert kingdom in Africa caught in the throes of revolution, intrigue and a sudden *coup d'état*.

A charismatic young leader assassinated by his best friend and closest adviser. A beautiful young widow abandoned beside her husband's unmarked grave. Kalashnikov-toting soldiers holding down a tense and dissatisfied population. And an uncertain future in which both East and West vie for influence.



It may seem like the stuff of thrillers, but in the arid and landlocked West African state of Burkina Faso it is also contemporary political reality.

Burkina Faso's history has not always been as turbulent or compelling. Indeed, until recent times the depressing pattern of economic stagnation familiar to much of black Africa seemed inescapable here.

Prospects for this resource-poor state remained grim well after independence in 1960 and into the 1980s. While a privileged elite drove fleets of Mercedes through the dusty, mud-brick capital of Ouagadougou, three-quarters of Burkina's population lacked safe drinking water. Per capita gross national product was under $150. Less than 10 per cent of the population was literate. One in four children died before they reached five years of age.

Today the economic indicators are scarcely more encouraging, and Burkina Faso, the third poorest country in the world, continues to live precariously.

Tremendous ideological changes, however, have swept Burkina Faso in the recent past. Five years ago this week the country was catapulted from the feudal age into a *tumultuous revolution*. Today, in a dramatic *volte face*, it has turned to the capitalist West and, with the International Monetary Fund, is making plans for radical structural adjustment.

The original catalyst for change was Thomas Sankara, a young and *dynamic army officer* who took power in a coup in 1983. Idealistic, well-educated and determined to build an egalitarian society, Sankara brought rapid social change to a long-ignored peasantry.

Although he borrowed heavily from the language of Marx, Sankara's politics were populist and agrarian – he aimed at giving the rural population a new self-respect and the means to build a self-sufficient economy. The country dropped overnight its colonial name of Upper Volta for Burkina Faso, which means land of men of dignity.

Under Sankara's regime luxury consumption became socially unacceptable. The modest Renault 5, for example, replaced the Mercedes as the official state car. Agricultural production campaigns were begun, as were literacy, health and rural development drives, village co-operative schemes, housing projects for the poor, and mobilisation programmes for women. Sankara he drew Burkina politically away from the West and strengthed aid and co-operation ties with Libya, North Korea, and left-wing black African governments.

Most of the Burkinabe people today look back to the Sankara period as one of positive change. Not unnaturally, however, such radical change was anathema to the former elite.

Calls for austerity and sacrifice, combined with what was becoming an ever-more personal style of rule, finally became too much even for those sharing power with Sankara. Last October he was killed in a bloody coup orchestrated by his closest advisers and replaced by long-time comrade-in-arms, Captain Blaise Compaore. His body was dumped in a communal grave with other coup victims and his wife and memory subjected to a campaign of intense denigration.

Nine months later, the death of Thomas Sankara remains an emotional and highly-charged issue in Burkina Faso. His cause continues to be popular among large sections of the population and the present regime governs in an atmosphere of tension, instability and rumours of plots.

According to Damo Barro, former finance minister to Captain Sankara, however, Burkina's revolution came to a timely end. Mr Barro is today a senior member of the World Bank staff in Ouagadougou. Captain Sankara's programmes, he maintains, were unrealistic and economically unsustainable.

"Burkina's development depends on capital generation and financial assistance from all quarters," he says. "Sankara's rigid ideology scared potential investors and creditors away. We must open up to the West. It is better to negotiate now than to have to accept imposed conditions in a catastrophic situation in the future."

After deciding to adopt a programme of radical structural adjustment, the Compaore Government received a combined World Bank-IMF delegation in July. While an adjustment package is still being negotiated, Mr Barro confirms that it will contain many of the components which have become standard in adjustment programmes throughout Africa. These include the rationalisation of public finances, the cutting back of Burkina's large and unprofitable state enterprise sector and the promotion of private enterprise and commerce.

In strict economic terms the shift to conventional development may be logical. Nonetheless, much of the popular driving force has evaporated which under the Sankara regime brought about social reform and material improvement. Observers already note a slow but steady return to the old ways of privilege, influence pedding, and corruption.

Readers of political thillers invariably have the satisfaction of seeing good triumph over evil. In life things are never quite so clear-cut. The faction which has triumphed in this case is now writing, with the help of the World Bank, a new chapter in economic development. Whether in their present mood of disillusion it will please the critics who count – the population of Burkina Faso – there remains to be seen.

S W Africa progress as talks extend to fourth day

By Michael Holman, Africa Editor, in Geneva

THE GENEVA talks on South West Africa have been extended into an unscheduled fourth day as delegates, reporting some progress, consider counter-proposals by Angola and Cuba to South Africa's June 1, 1989 timetable for independence in Namibia and the withdrawal of foreign troops from Angola.

As talks continued late into the night, Dr Chester Crocker, the US chairman, was attempting to hammer out a compromise between the two sides. "We are talking about everything, including a ceasefire, political and military issues, and a whole range of other issues."

Details of the Cuba-Angola proposals were not disclosed, but are believed to involve a substantial reduction of the four-year programme, set out before the Geneva meeting, for the phased departure of some 45,000 Cuban troops from Angola.

South Africa has made Namibia's independence conditional on a Cuban withdrawal. Angola and Cuba argue that some of the troops must stay on for a limited period after Namibian independence to help the Luanda Government in its battle against Unita rebels led by Dr Jonas Savimbi.

After a rancorous start to the conference, which began on Tuesday and was due to end yesterday, the mood has improved. The leader of the South African delegation told journalists that he was "encouraged" by the "serious and genuine" nature of the negotiations, and his Angolan counterpart said that there had been progress. Neither man would elaborate.

The negotiations were to be extended until lunchtime today as delegates attempted to draft agreements which would include a troop withdrawal timetable, a ceasefire and military disengagement in southern Angola, a non-aggression treaty between Angola and South Africa, and other elements in a complex, regional pact.

These drafts would be the subject of a ministerial-level conference, but delegates in Geneva believe that further negotiations may be necessary.

It would also depend on wide differences being resolved, notably over a timetable for a Cuban troop withdrawal from Angola. Angolan and Cuban officials would not discuss their new proposals.

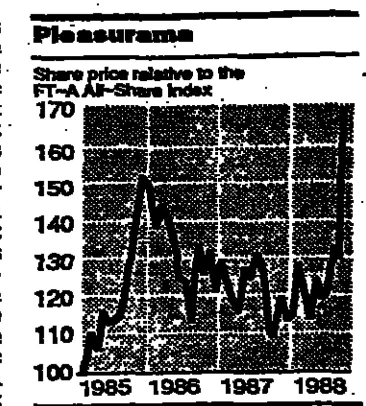
THE LEX COLUMN

Mecca bets it can do it better

When it comes to moving bits of leisure paper from one pocket to another in the Mecca/Pleasurama bid, the City's institutions face a beguilingly simple choice: whether the quality of Mecca's management is sufficient to make the shares of the bidder at least interchangeable with those of its target, and at best a whole lot more. For if, as seems plausible, the acquisition would lead to no dilution of earnings for Mecca, then the question – at least for those *who are already shareholders* of both – becomes more an industrial than a financial one: will swapping management personalities improve the performance of Pleasurama's assets, and can Mecca make the bigger-is-better cliche work to its advantage in operational terms?

Not suprisingly, the two sides disagree on the amount of overlap between the two companies' share registers; but if Mecca *is right* and nearly a third of Pleasurama is controlled by those with a foot in both camps, then that must give the bidder an early edge. Not even Pleasurama's Robert Earl was ready yesterday to challenge Mecca's reputation for good management; but *whether that expertise is transferable* from Mecca's relatively focused business to Pleasurama's distressingly diffuse one is the sort of question which will presumably worry not only those who have shares in both companies, but also the 70 per cent or so who *hold only* Pleasurama.

Pleasurama has called the bid opportunistic, and Mecca could scarcely dispute the literal application of this term: the opportunity to capitalise on shareholder concern at the Hard Rock acquisition and rights issue was too good to be missed. And as a 2 per cent shareholder itself, Mecca can hardly lose out if its offer starts an auction; indeed, its all-paper offer practically invites a bigger rival to step in with a cash alternative.



Electricity industry

The City's dismissal of yesterday's heavyweight annual reports from the Electricity Council and the CEGB was in a sense understandable. What matters for future investors in is not the track record of two antiquated monopolies that will shortly cease to exist, but Government decree. It is the still undecided relationships between the 15 or so new companies and the division of the spoils between consumer and shareholder that will settle whether the utility is easy to sell or not.

For all that, yesterday's accounts were not irrelevant. They provide a glimpse, and a pretty discouraging one at that, of the raw material that is to be reshaped for sale. The worrying feature is not the *"intentional" £300m fall in* profit nor the tiny 2.4 per cent return on capital – which the Government is rectifying by making the consumer pay more - but the statistics on efficiency. The contrast with the likes of British Steel or British Gas, let alone with the private *industrial* sector, is almost embarrassing: in the last four years put together the electricity industry has cut its real costs by just 4.4 per cent - well below the 6.1 per cent target. The excuse for missing such an undemanding goal is the continued struggle to make existing nuclear power stations anywhere near economic. But as investors already cite the commitment to nuclear power as one of the least appealing features of privatisation, they are not likely to find the explanation too reassuring.

British Airways

A glance at the footnotes in last week's results from the London clearing banks shows the substantial gains they realised by selling their stakes in the near bankrupt BCal to British Airways. Unfortunately, BA has yet to convince a sceptical City that it did not pay a silly price in order to prevent a major rival falling into the wrong hands. The turnover of the combined group rose by £119m in the first quarter, but since costs rose by £100m and interest charges mushroomed, the net effect was a 10 per cent drop in pre-tax profits to £81m in a period when the group handled almost 20 per cent more traffic.

To be fair, no one ever expected the benefits of the BCal acquisition to show through immediately. The delays in completing the takeover meant that the ageing BCal fleet missed out on much of the advance summer block bookings, and while the current *quarter* will give a better clue to how effectively BA is utilising the BCal aircraft, the real test will not come until next winter. Judging by the modest 1.3 per cent *forecast increase* in winter capacity, BA is well on the way to getting a grip on BCal's costs, and the impressive 2.1 per cent improvement in the passenger yield in the latest quarter shows that BA is not making the same mistake as BCal and trying to fill its *planes regardless* of cost. But despite yesterday's rise in BA's share price, a prospective multiple of less than 7 times earnings reflects the City's continuing concerns about *the quality* of BA's earnings.

TI

Yesterday's 4 per cent rise in the TI share price was not merely recognition of good figures, although interim pre-tax profits up 60 per cent – and perhaps more impressive, a 35 per cent rise in earnings per share – were right at the top of the range. More fundamentally, this first sight of TI complete with both the Crane and Bundy acquisitions (and without domestic appliances) suggests that the company in its new form has come together ahead of schedule. Over half the growth in pre-tax is organic, the greatly increased exposure to the US has done very little damage in currency terms, and operating margins, up from 6.5 per cent to 9.1 per cent in the half, are starting to look almost respectable.

The obvious and nagging question is how far all this is cyclical. About a third of sales are to the automotive industry, which is surely in danger of peaking. But overall, there is a kind of balance; the capital investment cycle is at an earlier stage of the upswing, and aerospace – still an important *customer – works* on a longer cycle of its own. A good chunk of the business, too, is in replacement parts, which, on the most optimistic view, are not cyclical at all.

Assuming pre-tax profits of up to £85m in the full year, the shares are on 9.5 times earnings at 369p. This puts TI on a par with the engineering sector, after a couple of years spent catching up. Since there ought to be some earnings outperformance on into next year, that could be a little grudging.

Argentina seeks loans with new package

By Gary Mead in Buenos Aires and Stephen Fidler in London

ARGENTINA announced full details of important reforms to its ailing economy late on Wednesday night.

The package is an attempt by the Radical Party Government to persuade its foreign creditors to provide further loans to service its $56bn foreign debt.

The package was announced as expectations grew in the US that Washington was soon to announce a bridging loan for the country of between $400m and $500m.

The loan's backers are thought likely to include the US Treasury and the main countries of the Bank for International Settlements, although it is assumed Britain will be an exception.

The economic measures announced by Mr Juan Sourrouille, the Economy Minister, set in train a campaign to cut inflation from a monthly figure of more than 20 per cent and to cut state spending.

The package also has a scarcely concealed political purpose. The reforms have already been described locally as the Government's "last card" - if they fail, as a similar package did three years ago, a jaundiced Argentine electorate may well opt for a government from the opposition Peronists in the presidential election due in mid-1989.

President Raul Alfonsin said that his Government was "beginning a decisive battle *against inflation, which has* sapped and squandered the strength of the people". He promised that there would be an attack on the fiscal deficit, and added that he had no doubt the reforms would have the support of the Argentine people.

Mr Alfonsin's economic team, led by Mr Sourrouille, unveiled a series of reforms designed to cut government spending and control prices. The official estimate is that the reforms will yield an extra $1bn a year, or roughly 1.5 per cent of GDP.

The reforms have been worked out in consultation with leading industrialists and they are also designed to improve Argentina's industrial *export prospects. However,* they have attracted criticism from both trade unions and the agriculture industry.

Trade union leaders regard the package as an attack on the living standards of their members because it proposes freezing wage increases at a level below recent inflation.

Loans to Argentina have this week started to fall more than 90 days in interest arrears, forcing US banks to place the loans on non-accrual status, which hurts their earnings.

Bankers said yesterday said they had received no indication from Argentina on whether it intended to make interest payments at any time, even on receipt of funds from the expected *bridging loan.*

US warns EC against protectionism after 1992

Continued from Page 1

was "very positive about the EC proceeding with this effort." To the extent that it accelerates economic growth in Europe it can be expected to have a positive impact on the US economy, helping to reduce the US trade deficit, he said.

Commenting on Mr McPherson's speech, one trade expert said he was struck by the degree to which US concerns about 1992 and European concerns about the trend in US trade legislation were parallel. Both were afraid of rising protectionism in the foreign market; both feared sectoral or bilateral reciprocity and both were concerned about the lack of transparency in the policy process, with Europe suspicious of the role of Congress and the US uneasy about the growing role of the EC Commission. Finally, both were uneasy about their diminishing ability to influence the international process of trade policy.

He suggested that the US was trying to get itself a "seat at the table" in the EC talks, by seeking bilateral consultations on specific issues

Mr McPherson said that the US was "[looking] forward to discussions with Brussels and the member states as the programme is formulated, to ensure that economic integration amongst the 12 member states results in a more open European market. The international economic system is at a critical, and in some ways vulnerable, point in its evolution. This makes it particularly important [that] the pursuit of the internal market in Europe supports, not undermines, our shared objectives in moving towards a more open international trading and financial system."

Editorial Comment, Page 12

Arrests in $150m fraud case

Continued from Page 1

a Canadian, and Jazeen Aziz Mooja, 24, an Indian. Mr Kasper-Ansermet said he was also seeking a person who had disappeared from Lugano in southern Switzerland and was thought to have gone to Italy.

The Geneva magistrate yesterday took the unusual step of refusing for now to allow defending lawyers access to the file of the investigation. This was warranted, he said, by the gravity of the charges and the fear that information could be leaked to third parties while enquiries were still being made.

Complaints to Swiss embassies from investors and financial advisors led to simultaneous raids last week by Swiss police onoffices in Geneva, Nyon and Lugano and the arrest of Mr Chapman and Mrs Davies. Several bank accounts were blocked on the examining magistrate's orders.

The offices searched belonged to Kettler Investment Finanz AG, registered in Liechtenstein, Falcontrust Financial Ltd of Geneva and Equity Management Services SA at Nyon.

Mr Chapman is listed in the Geneva companies' register as the managing director of Falcontrust and Kettler's Geneva branch. He held the same position in Equity Management before it moved to Nyon in the canton of Vaud last January.

Through direct approaches by salesmen in several countries and by means of glossy brochures and a newsletter, the Swiss Analyst, these companies offered to place clients' money in New York shares.

Mr Kasper-Ansermet said the fraud involved giving false information about US OTC-listed companies and using a sophisticated mechanism to manipulate the share prices quoted on the OTC "pink sheets", US stock lists.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	24	75	Dubrovnik	C	33	91	Malta	S	32	90	Rhodes	S	31	88
Algiers	S	31	88	Edinburgh	F	17	63	Manchester	F	17	63	Rio de J'o	C	27	80
Amsterdam	C	20	68	Faro	S	27	81	Manila	F	34	93	Rome	C	36	97
Athens	S	36	97	Florence	F	29	84	Melbourne	F	13	55	Salzburg	R	12	54
Bahrain	S	37	99	Frankfurt	F	20	68	Mexico City	C	25	77	San Francisco	F	23	73
Bangkok	C	32	90	Funchal	C	21	70	Miami	R	31	87	Seoul	F	33	91
Barcelona	S	26	79	Geneva	C	25	77	Milan	R	19	66	Singapore	F	32	90
Beirut	F	31	88	Gibraltar	S	28	82	Montreal	C	33	91	Stockholm	F	18	64
Belfast	C	17	63	Glasgow	C	15	59	Moscow	C	20	68	Strasbourg	S	21	70
Belgrade	S	26	79	Guernsey	F	16	61	Munich	C	11	52	Sydney	F	23	73
Berlin	F	18	64	Helsinki	F	18	64	Nairobi	-	—	—	Taipei	F	37	99
Biarritz	F	23	73	H. Kong	R	29	84	Naples	F	31	88	Tangier	S	28	82
Bombay	D	29	84	Innsbruck	R	14	57	Nassau	C	33	91	Tel Aviv	S	31	88
Bordeaux	S	23	73	Inverness	C	15	59	New Delhi	C	31	88	Tenerife	S	26	79
Brussels	F	20	68	Islamabad	F	36	97	New York	C	32	90	Tokyo	F	32	90
Budapest	R	15	59	Istanbul	C	32	90	Nice	F	27	81	Toronto	C	35	95
B Aires	F	14	57	Jakarta	R	32	90	Nicosia	F	37	99	Tunis	S	34	93
Cairo	S	35	95	Jersey	C	17	63	Oporto	S	26	79	Valencia	S	28	82
Cape Town	-	—	—	Jo'burg	F	21	70	Oslo	C	19	66	Venice	F	23	73
Caracas	C	26	79	Lima	C	17	63	Paris	C	21	70	Vienna	R	12	54
Casablanca	S	26	79	Lisbon	S	27	81	Peking	T	24	75	Warsaw	F	18	64
Chicago	C	36	96	London	C	21	70								
Cologne	F	20	68	Los Angeles	C	25	77								
Copenhagen	C	18	64	Luxembourg	F	18	64								
Corfu	S	33	91	Madrid	S	25	77								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Disney, not Marx

Continued from Page 1

the existing Hungarian foreign joint ventures.

Most Western visitors would come from Austria, with Vienna only a few hours' drive away, while the wealthy Munich region is closer to Budapest than it is to Paris. Some 2.4m Austrians (mostly day-trippers), and more than 1m West Germans visited Hungary last year.

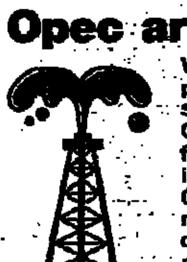
But in the back of the minds of Disneyland and Hungarian officials are the 14m East European visitors to Hungary for whom the country has become an exotic, almost Western mecca. However, allotments of Hungarian currency for East Germans, Czechoslovaks and Poles are severely restricted by their governments and would scarcely cover even the entrance fee to Disneyland.

This problem will not be easy to solve as Hungary has for years pushed in vain for some form of convertible currency within Comecon.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday August 5 1988

INSIDE

Opec arms for peace



With improved prospects for peace in the Gulf, the Organisation of Petroleum Exporting Countries appears set for a fresh assault on the divisive issues which have sapped Opec discipline. Wednesday's meeting of the Opec price committee helped to clear the air and gave Dr Subroto, the newly-appointed secretary general, a mandate to seek a new consensus. Page 30

Rise and fall of a Lloyd's leader

Raanan Gedaliah Ben-Zur, 34-year-old chief executive of PWS Holdings, Lloyd's insurance broking group, enjoyed a meteoric eight-year career in the London insurance market. Yet on Wednesday, following a five-hour board meeting, his fellow directors accepted his abrupt resignation. Nick Bunker looks at the problems which led to the surprise move. Page 20

Heidelberger takes the plunge

Heidelberger Druckmaschinen, the world's largest maker of print machinery, has taken the Atlantic plunge. With its agreed $300m takeover of Harris Graphics' Web Press web offset business in the US, the company moved overseas for the first time, and boosted its size by nearly a third. But Heidelberger Druck makes no secret of the fact that another key motive was to keep its Japanese opposition at bay. Heidelberger snatched the Harris company from under its main competitor's nose by offering more money. Page 17

Bourse revs up for new market

The French stock exchange has given the green light for the opening of a new market in voting rights, allowing holders of non-voting certificates of investment to convert their paper into ordinary shares. Dealing is expected to begin at the end of September, and could lead to crucial shifts in the balance of power at several companies viewed as possible takeover targets such as Bouygues, the French construction group. Page 18

Davy steels itself for business

US machine builders and suppliers to the steel industry have been squeezed almost to extinction. But as prospects are beginning to look up for the beleaguered steel industry, and Davy Corporation of the UK has dug itself into the US market with its purchase of the engineering division of the beleaguered Dravo natural resources company, Deborah Hargreaves looks at the sale which marks part of a long-term shakeout in the US metallurgical plantmaking business. Page 16

TI earnings soar to £40m

TI Group, the restructured UK engineering group, announced a 60 per cent increase in pre-tax profits from £25.1m ($43m) to £40.1m for the six months to June 30. The results are the first which reflect TI's exit from the domestic appliance business and its focus on specialist engineering businesses. Page 19

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (Dm)				PARIS (Frs)			
Rises				**Rises**			
Mannesmann	175.2	+	4	Casino	160.5	+	18.5
Feldmuehle	270.5	+	4.5	CCF	138.5	+	8.9
MAN	202.8	+	1.5	Gal.Lafayette	949	+	23
Falls				**Falls**			
BMW	497	−	9	Ingenico	508	−	19
Kaufhof	351	−	5	Salomon	1445	−	35
Bayer Verein.	330	−	4	Leroy Somer	823	−	16

NEW YORK ($) at 12.30				TOKYO (Yen)			
Rises				**Rises**			
Spectramed	11½	+	6½	Takahivth	1650	+	200
Ialco	29¼	+	2	Yomiuri Lnd	1980	+	180
V.F Corp.	32¾	+	1⅞	Keihin Elec	1370	+	90
GTE	41¾	+	1⅛	**Falls**			
Quaker Oats	53⅛	+	⅜	Sankyo Seiki	1310	−	170
Falls				Toyo Tst Bnk	2070	−	110
Amer. Intl.	62¼	−	⅝	Yokogawa Elc	1520	−	70

LONDON (Pence)							
Rises				Redland	444	+	7
Belhaven	62	+	6	Rosehaugh	749	+	11
Blue Circle	469	+	12	Stanhope	295	+	8
Britannia Sec.	194	+	9	TI Group	389	+	13
Dowty	211	+	6	Tozer Kemsley	105	+	7
Goldberg (A.)	225	+	10	Trusthouse Forte	261	+	9
Greenall Whitley	243	+	10½	VG Instruments	325	+	12
Inchcape	220	+	8	Vickers	182	+	9
Marley	159	+	9	**Falls**			
P. & O. Defd.	590	+	6	Mecca Leis.	204	−	12
Pleasurama	260	+	34	NEI	95	−	6
Polly Peck Intl.	328	+	13	TVS Ent.	315	−	15

Mecca takes pleasure in a bold gamble

David Waller on Michael Guthrie's plan to scoop the UK leisure pot

MR Michael Guthrie, the bow-tie wearing chairman of the UK's Mecca Leisure, is used to taking a gamble with the stock-market.

His bingo, holiday camps and nightclubs group was the first to hold a rights issue in the aftermath of the October crash – now it has chosen to enliven the doldrums of August with an audacious £588m ($1.06bn) bid for leisure rival Pleasurama.

The bid is not just bold – the share-only offer values the bigger company at nearly three times Mecca's own market capitalisation - it is positively cheeky. Not only is the predator substantially smaller than its intended victim, but the terms and the timing of the offer also seem calculated to cause maximum provocation.

Mr Guthrie said that Pleasurama shareholders were being offered the opportunity to create an unparallelled leisure group in the UK. "As yet, there is no significant player in the leisure market," he said, "either from the investors point of view or in terms of market share."

There is no cash alternative to sweeten Mr Guthrie's proposals. Worse, from the target's point of view, is that the bid has come just a week before it was hoping to formalise its most important strategic acquisition in years – the proposed £63m purchase of the Hard Rock restaurant chain.

Mr Robert Earl, president of Pleasurama in the US and architect of the latest deal, expressed his company's response in contemptuous terms. "They are nice people," he said, speaking from California. "They have a good little business and they should stick to it."

When the Hard Rock transaction was announced late last month, and the accompanying £127m rights issue, it appeared to put an end, once and for all, to the takeover speculation which has swirled around Pleasurama ever since Mr George Martin, its erstwhile chairman and chief executive, left the company under mysterious circumstances at the beginning of last year.

His departure – ostensibly because of a boardroom row over acquisitions policy – left the company looking rudderless and vulnerable. Mr Nat Solomon, chairman until the previous Autumn, was hauled out of retirement to take up his old job. And it was at this time, it emerged yesterday, that Mecca and Pleasurama held secret talks over a possible link-up.

The problem for Pleasurama was two-fold – to find a replacement for the charismatic George Martin, and to reduce its traditional dependence on casinos, which used to account for over half group profits.

Although strongly cash-generative, earnings from this business were perceived as being of low quality, vulnerable to the vicissitudes of Middle East politics – and so much was proven at the interim stage last year, when pre-tax profits slipped from £19.21m to £16.27m because of a downturn in the take from the London casinos.

The dual problems were solved in August last year, when the company agreed to pay £63m to acquire President Entertainments. This took Pleasurama away from the roulette wheel and into pasta bars and theme restaurants.

It also provided an injection of new management in the form of the entrepreneurial Mr Earl, and his finance director, Mr Stuart Lee. From one London property, Shakespeare's Feast in Blackfriars, opened in 1978, Mr Earl's empire had expanded to include 60 UK restaurants and five Orlando outlets in Florida. Its trading names included Pasta Mania, Pasta Bar, Flanigan's and Olivers.

Mr Earl's brief was to repeat his early success on a larger scale, and in the US. The first step towards this was the proposed acquisition of Hard Rock which went hand in hand with the purchase of a 600-acre tract of Virginia as a site for a mammoth leisure complex. Mecca wants to prevent the Hard Rock deal from going through, although the Williamsburg acquisition cannot be unscrambled.

The bid is clearly a challenge to Mr Earl's strategic vision. In deciding whether to accept it, institutional investors will have to decide whether to give him the benefit of the doubt.

It is certainly the case that a merger would – at a stroke – take the proportion of profits coming from casinos down to 15 per cent, in line with Pleasurama's objective for 1990. What is more, it would cut Mecca's dependency on its low-growth bingo business, which accounted for £5.8m of last year's operating profit of £31.6m.

If Mecca does get away with it, the merger with Pleasurama would create a new force in the general leisure market, which covers everything from disco-dancing and catering to bingo and holidays.

The new grouping would have a market capitalisation of around £800m and turnover of around £500m. It would be the largest "pure" leisure company in the sector.

Mr Guthrie argues that it would make a compelling investment. After all, the leisure sector as a whole has outperformed the main stock market by 15 per cent over the last year, and the new company would be well positioned in the fastest growing areas of all – entertainment and catering, holidays and hotels.

Writers ready to call off US strike

By James Buchan in New York

AMERICA will be back on its regular television diet of soaps and talk shows by the middle of the autumn as a result of yesterday's announcement that Hollywood's striking screenwriters were prepared to return to their desks.

The 9,000 scriptwriters who stopped work in mid-sentence on March 7 should be back at work on Monday after their union, the Writers' Guild of America, reached a tentative agreement with movie and television producers in Los Angeles late on Wednesday.

The deal, which will go to a full union vote in New York and Los Angeles on Sunday, will give the writers a share of the profits television shows earn overseas.

Because television is booming overseas, above all in Europe, and slack in the US, the arcane issue of "foreign residuals" rapidly became the key to one of Hollywood's longest and most painful disputes.

Since feature films take more than a year to produce from script, the movie industry has scarcely been affected by the five-month strike.

However, for the three US networks, the prospect of a solution could not come at a better time.

The marginally profitable networks, which lost as much as 10 per cent of their audience to other forms of television last year, were bracing for further losses if they had to churn out repeats and duds through the important autumn season.

The networks were yesterday scrambling to begin work on shows to slip into schedules due to start in mid-September.

However, it looks as though the schedules will be patchy for a month to six weeks after that. Worst hit is the weakest of the three, CBS, which may not have new programmes ready until December.

NBC, the leader in audience ratings, plans a heavy programme of sport, including the Olympics.

ABC is to show an 18-hour mini-series, War and Remembrance, in November.

● The Federal Communications Commission, the Washington regulatory agency which is seeking to open up competition in the cable industry, said yesterday it was considering dropping a rule that bans the networks from owning cable systems.

The proposal, which follows a similar recommendation for local telephone companies, could set off a battle royal over the future of the valuable industry.

US court backs union bid to halt cuts at Eastern

By Anatole Kaletsky in New York

EASTERN Airlines, one of the two main operating subsidiaries of Texas Air, the biggest US passenger carrier, has been temporarily barred from implementing big cuts in its operations and sacking 4,000 of its employees.

This was an unexpected and potentially critical legal setback for Eastern. A Washington Federal court ruled that the company's plan may have violated US labour laws and issued a temporary restraining order, forbidding their implementation.

Eastern's unions contended that the company's cuts were designed not just to reduce its losses, but also to switch operations and assets from Eastern to Continental Airlines, Texas Air's non-unionised subsidiary.

While the judge did not specifically uphold this complaint, he did find that Eastern was "trying to circumvent the bargaining process" with its unions. He decided the airline's proposed cutbacks involved "a sufficient threat of injury to the unions" to justify a temporary injunction. Eastern said it was considering an appeal.

If the appeal fails or the injunction is made permanent, the consequences could be serious for both Eastern and Texas Air.

Both companies have been losing large sums of money. Eastern has also had to alter its published flight schedules from August 31 to take account of the closure of its base at Kansas City and other cuts announced last month.

Some analysts speculated a legal decision which prevented Eastern closing down unprofitable operations or undermined its bargaining power against the unions could even lead to a Chapter II bankruptcy filing by Eastern – which would give the company time to reorganise its affairs under court supervision.

This was the strategy used by Mr Frank Lorenzo, Texas Air's chairman, four years ago to break the unions at Continental.

Consob clears prospectus for Ferruzzi Finanziaria

By John Wyles in Rome

CONSOB, the Italian stock exchange regulatory agency, yesterday paved the way for the completion of Mr Raul Gardini's controversial restructuring of his Ferruzzi and Montedison groups by approving the prospectus for a public quotation of Ferruzzi Finanziaria.

It has thus given the green light to the absorption by Ferruzzi of META, Montedison's prosperous financial services and retailing subsidiary on the terms *originally proposed* by Mr Gardini.

These terms remain an exchange of 15 Ferruzzi shares for every four of META, despite the sale of 70 per cent of Standa, META's retailing subsidiary, to Mr Silvio Berlusconi, the Italian television magnate, for L969bn ($701m).

This was substantially higher than the valuation contained in the original Ferruzzi/Montedison prospectus and prompted some analysts to call for a revision of the terms set for the absorption of META.

The Italian Treasury appeared no more impressed by these demands than the Consob and *gave its own approval last week.*

Ferruzzi Finanziaria is expected to make its stock market debut on September 1 at a price which at current values would be in the region of L3,000 a share.

$100m BOC bid for Spectramed

By Nikki Tait in London

BOC Group, the British industrial gases and health care group, yesterday announced plans to make a $101m tender offer for Spectramed, a California-based medical equipment manufacturer.

In addition to the purchase price, BOC will – if successful – take on debt of around $50m.

Spectramed is involved in products which facilitate intravenous monitoring. It developes and manufactures advanced sensors, catheters, and other related accessories, which are then used in intensive and coronary care units, emergency rooms and catheterization laboratories.

According to BOC, the interests will complement both its existing non-invasive monitoring systems business, Ohmeda, and its Viggo intravenous therapy subsidiary. "This extends our role in critical care," commented Mr Richard Giordano, BOC chairman.

The Newport Beach-based company started life in the early-forties as Statham Industries, before being acquired by Gould, the US electronics group, in 1974. In 1986, the current business was subject to a buyout by around 40 members of management, and a year ago it secured a Nasdaq quote.

In 1987, Spectramed had an operating income of $9.75m on sales of $75.3m. However, this figure was struck before interest, amortisation of goodwill and exceptional items. The net loss after extraordinary items was $3.67m.

Yesterday, Spectramed said that interest charges had been particularly heavy in the first half, ahead of fund-raising at the time of its Nasdaq quote, and that it had also incurred a one-off extraordinary cost of $3.2m when closing its Puerto Rice plant. Operating income in the first half of 1988 was $6.33m on sales of $41.6m.

Around 40 per cent of Spectramed's sales go outside the US, mainly to Europe and the Far East.

BOC's bid of $12 a share is being recommended by the US company's board, following lengthy negotiations. The British group also has an option to purchase approximately 31.5 per cent of the company's equity from certain Spectramed shareholders at the offer price. Shares in Spectramed jumped by $6.50 to $11.50 in New York yesterday.

The offer, however, is still subject to the end of the waiting period required by the Hart-Scott-Rodino anti-trust act.

BOC, which last month completed its withdrawal from the carbon graphite business, has been steadily expanding its healthcare interests.

In the first half of 1987/8, the healthcare division accounted for about one-quarter of total operating profits. In the last full year, it made an operating contribution of £80.6m, out of total operating profits of £314m.

Record second-quarter for Akzo

By Laura Raun in Amsterdam

WIDER PROFIT margins and a buoyant economy helped Akzo achieve record second-quarter earnings and prompted the Dutch chemicals and fibre group to raise its full-year profits forecast.

Net income surged 27 per cent from Fl 191m to Fl 242m ($115m) in the second quarter, the highest quarterly level ever if extraordinary items are excluded.

Mr Syb Bergsma, board member in charge of finances, said 1988 earnings are now expected "significantly" to exceed last year's Fl 669m.

Akzo is reaping the rewards of heavy restructuring aimed at strengthening higher value-added chemicals and fibres, while trimming bulk, commodity products. Judicious acquisitions in specialty chemicals and fibres have produced structurally wider operating profit margins. These rose from 8.7 per cent to 9.6 per cent in the first quarter.

Operating income climbed across the board in the traditionally firm second quarter. Synthetic fibres, a source of heavy losses in the past, posted a healthy rise, while chemicals were aided by the acquisition of Stauffer specialty chemicals last year.

Boosted by acquisitions, sales rose 9 per cent from Fl 3.84bn to Fl 4.17bn in the second quarter. Generally higher shipments and firmer prices, underpinned by the stabler dollar, also fuelled the rise.

In the first half of 1988 profits soared 18 per cent from Fl 371m to Fl 436m. Turnover rose 7 per cent from Fl 7.7bn to Fl 8.2bn.

Mr Bergsma said Akzo was still interested in further acquisitions in strategic areas such as specialty chemicals, pharmaceuticals and coatings. The US remains a target area, along with the Far East.

Perennially flush with cash, Akzo now has Fl 929m in liquid assets which could serve to back any takeover bids. Commenting on persistent rumours that Akzo itself is a takeover target, Mr Bergsma denied that the Arnhem-based company has been approached by a corporate suitors.

General Re sells life reinsurer as earnings soar

By James Buchan in New York

GENERAL RE, the largest US reinsurance group, yesterday reported a sharp rise in its net operating earnings for the second quarter and the sale of one of its subsidiaries.

The earnings increase came in spite of the continued drain of business as primary insurers lay off less of their risk.

General Re said its operating income, excluding the life business, rose 17.5 per cent over the 1987 June quarter to $128.5m or $1.34 a share. After a $48.1m loss on the life sale, General Re reported net income of $81.1m or 85 cents.

The Stamford, Connecticut group is selling General Reassurance, its life reinsurance subsidiary, at a loss so that it could concentrate on its property/casualty business.

The purchaser, a group of investors called Insurance Investment Associates, is paying $300m for the business, which had assets of $913.3m at June 30.

The second-quarter result shows that General Re is making big profits on its diminishing book of business but not scrambling to cut rates and attract more reinsurance from the primary market.

This is encouraging for Wall Street, which fears that competitive rate-cutting is about to destroy the profitability in both insurance and reinsurance.

The company's combined operating ratio was a healthy 99.1 per cent, which means that the company is paying out less in claims and expenses than it takes in in premiums.

But premium volume for the second quarter tumbled 18.2 per cent to $461.6m, with an 18.5 per cent fall in domestic property/casualty business. General Re said this was because primary insurers increased their retention levels on treaty reinsurance and bought less risk-by-risk reinsurance.

For the six months, operating income rose 18.3 per cent to $253.4m or $2.63 a share on a reduction in net premiums from $1.24bn to $1.05bn.

● American International, the diversified property/casualty insurer, reported a 22 per cent increase in operating earnings in the second quarter to $287m or $1.75 a share, despite increased competition in its domestic property casualty business. The New York company said revenues increased 16.3 per cent to $3.17bn.

Bowater to raise $38m from Rexham unit sale

By Andrew Taylor, Construction Correspondent

BOWATER INDUSTRIES, the British packaging and building materials group, is raising $38m from the sale of part of Rexham, the US industrial conglomerate bought last year for $226m.

Bowater has agreed to sell Speedring, which manufactures high-precision components for the aerospace and defence industries, to Precision Aerotech of La Jolla, California.

Speedring represented the bulk of Rexham's aerospace and defence division, which Bowater announced at the end of last year that it would be selling.

Rexham owns packaging interests and laminates and coats film mostly for the photographic and computer industries. It also supplies decorative stripes for the automotive industry. These businesses will remain with Bowater.

Mr Norman Ireland, Bowater's chairman, said the aerospace division accounted for less than 20 per cent of Rexham's sales and profits and did not fit in with Bowater's other businesses. The US Pentagon also placed strict controls on non-US owners of defence contractors.

The division contributed $5.3m of Rexham's $28.6m operating profits in 1986 and $38.7m of group sales of $343.2m.

D&B to buy top credit insurer

By Anatole Kaletsky in New York

DUN & BRADSTREET, the leading US business information company, yesterday agreed to buy American Credit Indemnity, the country's biggest insurer of business credit, from Commercial Credit Group for $140m in cash.

Commercial Credit, a Baltimore-based finance and insurance group which was spun off two years ago by Control Data and is now run by Mr Sanford Weill, said it would realise a pre-tax profit of about $60m on the sale.

ACI's main business is to insure its policyholders' trade receivables against the risks of default and bankruptcy by their customers.

Yesterday's deal appeared to be attractive for both D&B and Commercial Credit because the ACI's highly specialised business is closer in character to the business data gathering operations of D&B than to Commercial Credit's property and casualty insurance interests.

D&B is the leading source of information on the operations and finances of small businesses in the US, as well as on bankruptcies and company formations.

ACI is a leading customer of D&B Credit Services. This produces the credit reports which are a primary source of information to the business credit insurance business and also includes Moody's Investors Services, one of the two leading US bond rating agencies.

D&B has been restructuring itself in the past five years to focus more sharply on business information and credit analysis. Since 1984 it has sold several businesses involved in broadcasting and technical publishing, and bought two of the world's biggest marketing research organisations – A.C. Nielsen and IMS, which collects market information on the pharmaceuticals industry.

D&B bought IMS in a $1.5bn stock transaction earlier this year.

Commercial Credit said that while ACI, which had net income of $11.2m last year, was an excellent business, it did not fit in with the company's long-term strategy.

Savings body urges action on thrift loans

By Our Financial Staff

US FEDERAL regulators should act to staunch mounting losses in the savings and loan industry by banning insolvent thrifts (savings and housing finance institutions) from making new loans, the National Council of Savings Institutions said.

Mr Charles Koch, NCSI chairman, said: "A significant number of insolvent S&Ls continue to grow and take risks that add undue burdens to the Federal Savings and Loan Insurance Corporation and the entire financial system."

By paying above-market rates for deposits and charging below-market interest on mortgages, these "walking dead" thrifts were driving up costs for the whole industry.

The NCSI has presented its proposal to the Federal Home Loan Bank Board, which regulates thrifts, and to Mr William Proxmire, Senate Banking Committee chairman.

Mr Koch's remarks come only a day after Mr William Seidman, chairman of the Federal Deposit Insurance Corporation, told Congress that the losses of the S&L industry were accumulating at a rate "close to $1bn a month" and already amounted to about $50bn.

Mr Seidman's figures, which far exceeded previous projections by the S&L industry's regulators and the US Treasury, seemed to be the first public acknowledgement by a Reagan Administration official that the probable costs of rescuing the housing finance industry were rising rapidly and had already reached the top end of estimates that were considered alarmist only a few months ago.

According to the NCSI, 444 insolvent FSLIC-insured thrifts, with $126.7bn in assets were unprofitable and insolvent at the end of 1987.

As a group, the assets of these thrifts shrank 5.9 per cent last year because of stricter capital requirements and regulatory growth limits. But 105 of the thrifts increased their assets in 1987, including 32 which grew by more than 10 per cent.

The NCSI proposal would bar sick thrifts from making new loans or acquiring any new investments. Instead, cash inflows would be used to pay off brokered deposits and other debt, so that the insolvent S&Ls would self-liquidate.

Plantmakers steeled for shake-out

Deborah Hargreaves on problems facing US steel industry suppliers

Metallurgical plantmakers have in the US faced fierce competition from European and Japanese companies at a time of contraction and slow capital investment in the steel industry. Only in the past year have US steelmakers, buoyed by a flourishing market, started to consider large capital investment projects.

Davy Corporation's recent purchase of the engineering construction division of Dravo, the beleaguered US engineering and natural resources company, comes as the construction group positions itself for a pick-up in investment. It is also part of a long-term shakeout in the US plantmaking business.

Mr David Bartlett, who follows US plantmaking at investment firm Ladenburg Thalmann, says: "This has been an absolute horror story. . . they (the plantmakers) have had a terrible time.

"The market was so bad, I thought the shake-out would be worse than it was."

US machine builders and suppliers to the steel industry have been squeezed to near extinction.

The Japanese have such a strong presence, however, that there is very little chance of US companies being able to cash in on any major investments in the US steel industry. Therefore, the Davy deal is likely to prove the exception rather than the rule.

Large US engineering and construction companies like Bechtel and Fluor have frantically diversified, with an emphasis on service contracts to isolate them from the cyclical nature of traditional plantmaking.

The number of large, US all-rounders with the ability to complete a large steel investment project from start to finish has dwindled during the plantmaking recession of the past 10 years, while smaller, entrepreneurial companies have turned towards providing specialist engineering services.

It has been left largely to Japanese and European heavy engineering companies to bid for the type of turnkey projects now being favoured by a steel industry which has pared its own engineering departments to the bone.

'Dravo's capabilities may be limited but it has good customer contacts, and that counts for a lot in this incestuous business'

This was part of the rationale behind Davy's acquisition of Dravo's Pittsburgh operations, which is valued at between $3m and $4m. Davy has dug itself into the US market and is seeking maximum benefit from the turnround in the steel industry.

Mr Bartlett says: "Dravo's capabilities may be limited, but it certainly has good customer contacts, and that counts for a lot in this incestuous business."

Ironically, Dravo, which had been holding on to its plantmaking arm in the hope of seeing a steel recovery, has divested the operation just as steel prospects are looking up.

The company is keen to focus itself as a natural resources operation and wrote off its loss-making engineering and construction division in preparation for a sale at the beginning of the year.

For the past 20 years, the US steel industry has spent less than half of the amount it should have done in replacing worn-out plant.

Capital investment by Big Steel has halved in the past six years – from $2.4bn in 1981 to $1.2bn last year. But in the past nine months, as the steel market has finally picked up, the industry has whispered plans for some significant investment.

Collective losses in the US steel industry, totalling about $8bn in the past 10 years, have kept capital investment to a minimum.

Even when cash-flow was healthier, US companies have been wary of committing themselves to long-term, high-cost projects which show little immediate return for shareholders.

But Mr John Jacobson, steel industry analyst at AUS Consultants, believes that after falling behind many of their European and Japanese competitors, "the industry has got to the point where many investments have immediate paybacks because of cost reductions."

Cost-cutting remains one of Big Steel's continuing priorities as the industry struggles to reduce its man-hours per tonne (the time it takes a worker to produce a tonne of steel). The industry average is currently under six hours per tonne – down from 10 in 1979 – and companies are working hard to bring the figure down further.

The efforts to boost productivity has prompted the steel industry, which is showing healthy earnings for the first time in nearly a decade, into considering long-neglected capital investment.

While the industry has been investing modest amounts through lean periods, the dollar-value of recent project inquiries has risen dramatically, Mr John Kelman, general manager of Davy's Pittsburgh operation, reports.

With continuous casting ratios for steel production in the US still behind those of Japan and Germany – about 60 per cent, compared with close to 90 per cent – Big Steel is pushing to increase its casting capacity. This has also led to a considerable interest in attendant rolling mill modernisation, where Davy says it has seen many inquiries.

Although the bidding process for plantmakers is expensive and time consuming, "the leverage is incredible when the business turns right, and this is what Davy is waiting for," Mr Bartlett says.

The combination of Davy's Pittsburgh operation with Dravo's engineering division will result in annual turnover of about $140m.

Dravo will add its technology licences to Davy's existing expertise, bringing with it several large contracts, such as a $40m vacuum degassing plant for Canada's Stelco.

Michelin in Canadian expansion

By Robert Gibbens in Montreal

MICHELIN CANADA is expanding its tyre plants in Nova Scotia in a C$500m (US$416.6m) programme aided by a C$48m 15-year interest free loan from the provincial government.

The federal government will reduce duties on imported raw materials, a benefit estimated to be worth C$25m over 15 years.

The expansion covers mainly earth-mover, heavy truck and subway tyres, but also car and light truck tyres.

Michelin moved into Nova Scotia about 20 years ago in its first effort to gain a hold in the North American market. The plans have been expanded twice already.

Earlier this summer, the United Auto Workers Union failed for a fourth time to organise Michelin Canada's two plants.

The company said the expansion has been in the planning stage for many months and that the union abandoning its fight for certification rights signalled the way for an announcement.

● Torstar Corporation, a Canadian publishing group which owns The Toronto Star, Canada's largest circulation daily, earned C$49m or C$1.22 a share in the first half, up from C$47.7m or C$1.02 a year earlier on revenues of C$463m against C$416m.

Second-quarter net was C$24.8m or 61 cents a share against C$22m or 56 cents on revenues of C$237m against C$219m.

INTERNATIONAL COMPANIES AND FINANCE

Heidelberger's transatlantic splash

Andrew Fisher on a West German print machinery group's US deal

AS THE so-called "colour explosion" has swept through the printing world, the world's largest maker of machinery for the industry has seen its turnover double in the past five years.

"In a few years, even wedding announcements could be in colour," said Mr Horst Schlayer, sales director of Heidelberger Druckmaschinen of West Germany, not entirely joking.

But for all its size, with parent company turnover likely to rise by a further 8 per cent at least this year from the DM2.05bn ($1.1bn) booked in 1987, Heidelberger Druck has never moved overseas. Until last week, that is. With its agreed $300m takeover of Harris Graphics' Web Press web offset business, part of the AM International office equipment group, the company added a foreign production unit to its vast non-German sales network and boosted its size by nearly a third.

One reason for the move was clearly to gain US production, while building up the US company's export business. But Heidelberger Druck, which employs 7,600 people in Germany, makes no secret of the fact that another key motive was to keep its Japanese opposition at bay. Along with MAN-Roland, also based in Germany, the company's main competition is the aggressive Komori company of Japan.

Clearly, Komori thought it had Harris. But the German company obviously thought it was in its interests to prevent the Japanese. Not only does Harris, with a total labour force of 2,700 people, have plants in the US and Mexico, it also has one in France, at Montataire. Thus, if it had been prepared to raise its $250m offer for Harris, Komori would have obtained at one fell swoop vital new capacity on both sides of the Atlantic.

It would have become a more potent challenger not only in North America, Heidelberger's second biggest market after Germany, but also in Britain, its third most important. The German company, with nearly 80 per cent of its turnover abroad, has a sales force of 350 in Britain, based in London and other centres. Komori is also active there, though not in Germany, but has no European production.

Heidelberger snatched Harris company from under Komori's nose by offering more money. It will finance the deal from its own cash resources and plans to ginger up Harris's sales and production by increasing its orders of $300m nearer to its annual turnover of more than $350m and adding more business from Europe and the Far East.

"With our better knowhow, we think we can improve its performance," said Mr Hilmar Dosch, Heidelberger's finance director. Overall, Harris is only at break-even point, largely due to the problems of bringing its new components plant in Dallas, Texas, into full production. "We think we can turn it round," he added. The French plant is profitable, but needs modernising. Compared with its 50 per cent of the US commercial web offset equipment market, Harris has much smaller market shares elsewhere.

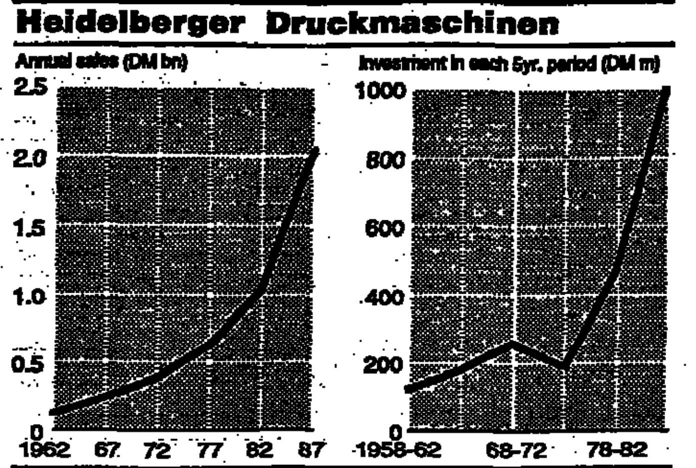
Since Heidelberger is predominantly in the sheet-fed offset business, there is little overlap with the web offset activities of Harris. Web offset accounts for only about 5 per cent of the turnover of 138-year-old Heidelberger, which has delivered 350,000 printing machines to 150 countries, its customers being drawn mainly from the world's 150,000 small- and medium-sized printing firms.

These are in ferocious competition with each other. So Heidelberger, over which Rheinisch-Westfälisches Elektrizitätswerk (RWE) has indirect control, has found business increasing rapidly. In 1987, net profits soared from DM184m to DM248m. But it also has to keep up with rapidly changing technology. Although printing machines still last for up to 20 years, customers' increasingly stringent demands mean they are now kept for between seven and 10 years.

Most of Heidelberger Druck's equipment, costing between DM30,000 and DM10m, is used in commercial printing. To make its machines more flexible and able to deal with ever shorter and faster print runs, it makes extensive use of electronics. It writes its own software and has developed its own microcomputers. At the other end of the production chain, it has its own foundry.

Heidelberger Druck expects to keep growing, as long as economies continue expanding. Although the higher D-Mark has been a handicap, the company has offset this through constant innovation and strong attention to service and training. "Companies want to present their products more attractively through advertising, brochures and other literature," said Mr Schlayer. "There is real slaughter going on in the printing market. So the machines have to be of much better quality all the time."

Heidelberger Druckmaschinen



WestLB maintains earnings

By Haig Simonian in Frankfurt

PARTIAL operating profits at Westdeutsche Landesbank (WestLB), West Germany's fourth largest bank, were virtually unchanged at DM392m ($210m) at parent bank level in the first half of this year against DM390m in the corresponding period last year.

WestLB's other figures are given only as a percentage change against earnings for half of 1987, making direct comparisons impossible. However, it said full operating profits for the group, which include gains from trading on its own account, were just under 1 per cent above the figure for half last year, and full results for the parent bank increased by 5 per cent because of higher earnings from own-account trading.

First-half interest earnings for the parent bank rose to DM840m from DM801m, despite continuing pressure on margins. Fee income fell slightly to DM106m from DM110m in the first six months of last year.

Mid-term total assets for the parent bank rose marginally to DM144.3bn from DM142.3bn at the half-way stage last year.

Confirming the pick-up in the West German economy as a whole, loans to customers increased by 3.7 per cent to DM67.2m against DM64.8m at the end of last year, with the bulk of the increase coming in long-term credits.

HCS in peace bid with dissident UK investors

By Laura Raun in Amsterdam

HCS Technology holds another shareholders meeting today at which the small Dutch computer company hopes to make peace with dissident UK investors in a feud about takeover tactics.

In a wider sense the battle is far from over. It is expected to fuel more attacks on the oligarchic powers enjoyed by Dutch corporate managers.

Schroder Capital Management and Equity and Law Life Assurance of the UK have twice sued HCS in an effort to stop the company's takeover of Microlife, a company indirectly owned by HCS president Mr J.J. Kuijten. The acquisition of 51 per cent of Microlife will go ahead but Mr Kuijten has offered other olive branches.

He has offered to withdraw the HCS preferred shares which were issued recently, ostensibly to protect against a hostile takeover. But many observers believe they were little more than a veiled attempt to give Mr Kuijten veto powers over shareholders since the shares amount to half of the share capital and were planted in a management-friendly foundation.

Mr Kuijten, who owns about 34 per cent of HCS through his investment company Reiss, agreed not to sell HCS shares unless other board members were notified. Finally he promised to consult institutional investors about enlarging the supervisory board.

The bitter battle surrounding HCS reflects the difficult process of adjustment that is gripping Dutch companies as financial markets become more international. Increasingly their managers are under attack, their arcane anti-takeover defences are crumbling and their shareholders are revolting.

The adjustment process began last year with the hostile takeover battle around Kluwer, a small publisher. It continued this year with a shareholder uprising against Nedlloyd, the shipping group.

The painfully complicated saga of HCS began last spring when the rapidly growing company decided to acquire Microlife in an effort to strengthen its office automation activities. Microlife belonged to Reiss.

An extraordinary shareholders meeting was called so shareholders could approve the change in statutes needed for the acquisition, but too few holders showed up. The annual shareholders meeting granted approval but then Schroder and Equity and Law, among other institutional investors, filed the first suit to halt the acquisition.

That suit was thrown out of court so a second one was filed last week to annul the voting rights of the newly issued preferred share. That suit also was rejected but HCS said yesterday the votes would not be cast today.

Japan's Asahi Breweries surges into second place

By Ian Rodger in Tokyo

ASAHI Breweries surged into second place among Japan's top brewers in the first half due to the extraordinary success of its new dry beer.

The company's pre-tax profits rose 41 per cent in the six months to Y5.8bn ($43.6m), surpassing the Y5.4bn – up just 4 per cent – recorded at the pre-tax level by Sapporo Breweries, hitherto number two in the fiercely competitive Japanese beer market.

Asahi's beer market share rose from 17.4 per cent to 18.5 per cent, mainly because of its dry beer, while Sapporo's fell marginally to 20.2 per cent. Kirin Brewery is the top brewer in Japan, controlling more than half the market.

Asahi's total sales also moved ahead of Sapporo's for the first time in more than two decades. Asahi's sales were up 53.8 per cent to Y228.2bn while Sapporo's rose 5 per cent to Y205.5bn.

Both companies' operating ratios declined because of huge expense of sales promotion and advertising of their dry beers. These beers have a slightly higher alcohol content than ordinary lager beers, but their sales success is probably due mainly to the youthful image that has been created for them.

Sapporo's operating profit dropped 63 per cent, but it made a profit of Y6.1bn on financial items. Net profit of Asahi was up 56.8 per cent to Y2.5bn, but that of Sapporo was up only 3.1 per cent to Y2.4bn. Both maintained Y2.5 per share dividends.

NZ approves newspaper link

By Our Financial Staff

INDEPENDENT Newspapers, New Zealand's largest newspaper group and 40 per cent owned by Mr Rupert Murdoch's News Corporation, has been given government approval to buy the Auckland newspaper interests owned by NZ News.

The transaction is worth about NZ$72m (US$48m) and it brings into the News Corporation fold the Auckland Star, an evening paper, the Sunday Star and various community newspapers.

The deal means that Independent Newspapers owns all the New Zealand Sunday newspapers. Mr John Collinge, Commerce Commission chairman, said he was satisfied that Independent Newspapers would not acquire or strengthen a dominant position in any market.

Bergen Bank to merge offshoots

BERGEN Bank, one of Norway's top three banks, is to merge recently acquired Nevi, Scandinavia's largest financing company, with its own finance offshoot, Fabin, resulting in a 20 per cent staff reduction, writes Karen Fossli from Oslo.

Bergen Bank's profits in 1987 fell to NKr550m ($81m), because of NKr480m in loan and share trading losses, from NKr921m in the previous year.

United Paper Mills buys Stracel stake

UNITED Paper Mills, a Finnish forest products group whose interests include the Shotton newsprint plant in North Wales, has bought 50.04 per cent of Stracel, the French state-controlled pulp manufacturer for an undisclosed price, writes Olli Virtanen in Helsinki.

The deal, signed on Friday and announced yesterday, ends a bitter fight between UPM and Norske Skog of Norway.

Philips plans computer market assault

By Hugo Dixon

PHILIPS, the Dutch electronics company, is planning an assault on the European personal computer (PC) market, of which it at present holds a negligible share, according to one of its executives.

Philips sold 100,000 PCs throughout Europe last year, giving it a market share of about 2 per cent.

Mr John Dring, who is in charge of the company's PC strategy for the UK, said Philips was expecting to sell 1m PCs in 1990, giving it 7 per cent of a larger market.

Philips's main thrust would not be to compete head on with market leaders such as Amstrad of the UK, and IBM and Apple of the US, Mr Dring said.

Instead, the company would be seeking to differentiate itself from its rivals by packaging its PCs with other technologies such as video discs and compact discs.

Philips would make a push into selling PCs for applications such as training and sales promotion, markets relatively unexploited by its competitors.

The company would also introduce new personal computers later this year, including a model designed to be compatible with IBM's Personal System 2 range.

Mr Dring said Philips was in negotiations with IBM to obtain the necessary licences to do this.

Go-ahead for voting-rights sector

A new market opens in Paris next month. George Graham reports

The French stock exchange has given the green light for the opening of a new market in voting rights, allowing holders of non-voting certificates of investment (CIs) to convert their paper into ordinary shares.

Dealing is expected to begin at the end of September, and could lead to crucial shifts in the balance of power at several companies viewed as possible takeover targets, such as Bouygues, the construction group.

The voting rights market itself will be small and is destined for self-destruction. Only holders of CIs will be allowed to buy the voting rights, and the ordinary shares will automatically be recreated. Previously, the holders of voting rights could buy in CIs to recreate shares, but not vice versa.

"In the past, you had to drag the piano over to the piano stool. Now, investors will be able to bring the stool to the piano," comments Mr Jean-Claude Georges of the Paris stock exchange.

The move could, however, revitalise the market in CIs, which has stagnated for months with prices of the certificates sinking to substantial discounts to the ordinary voting shares.

CIs were originally authorised as a means for nationalised companies to raise capital without diluting state control. The largest issuers were state-owned banks like Banque Nationale de Paris or Crédit Lyonnais, and nationalised industrial groups such as Rhône-Poulenc or Péchiney.

Companies like Saint-Gobain, Paribas and Société Générale offered their CI holders the chance to convert into ordinary shares at the time of their privatisation offers for sale.

Some privately controlled companies also took advantage of the right to issue non-voting certificates as a means of raising cash without giving up control. The largest issues include Pechelbronn, the Worms family's holding company, L'Oreal, the cosmetics group controlled by Nestlé, and Groupe Victoire, the insurance company jointly controlled by Suez and Compagnie Industrielle.

CIs have lost investors' favour, and in some cases plunged to discounts of over 50 per cent to the ordinary share price at the beginning of this year, before recovering some ground in recent months.

Voting rights are automatically created at the moment CIs are issued, and belong to current shareholders along with subscription rights to the new issue.

In many cases, shareholders are not even aware that they may still hold the voting rights, even if they sold their actual shares some time ago.

"As the price of the CI and voting right combined should be around the ordinary share price, the value of the CI should be higher for a tightly-controlled company. Conversely, where control is loose, the voting right will have a greater relative value," argues Ms Deborah Henderson of London-based Ark Securities, part of the BNP group.

She therefore recommends selling CIs in the possible takeover target Bouygues, but sees room for a rise in the CIs of closely held companies like L'Oreal and Béghin-Say.

Anglo-Alpha to increase interim payout

By Jim Jones in Johannesburg

ANGLO-ALPHA, the South African cement manufacturer controlled by the Swiss Holderbank group, reports higher profits for the first half of 1988 and plans to step up its interim dividend.

The company expects high sales during the rest of the year as a result of increased spending on road building and low-cost housing.

Turnover for the first half rose to R243m ($98.8m) from R192m in the corresponding 1987 six months.

Operating profit before interest and tax rose to R66.8m from R43.0m and the pre-tax profit increased to R60.6m from R32.7m. Operating profits for 1987 as a whole totalled R100.9m on sales of R418m.

Cement sales volumes increased by 11.2 per cent and sales were particularly firm in the industrial area around Johannesburg. Nevertheless, the company's cement plants continue to operate below full capacity. Sales of crushed stone were higher, but production and sales of lime were badly affected by bad weather.

The interim dividend is going up to 30 cents a share from 26 cents. Last year's total dividend was 70 cents.

Paris auction oversubscribed

By George Graham in Paris

THE FRENCH Treasury yesterday sold FFr7.48bn of government bonds in a heavily oversubscribed auction. Dealers had expected only around FFr6bn to be allotted, at the bottom end of the FFr6bn to FFr8bn bracket announced by the Treasury. However, in spite of the larger than expected allocations, prices still moved upwards in the secondary market.

Several dealers were caught out by the weight of tenders at the regular monthly auction and had to buy in the market after submitting offers below the Treasury's acceptance price.

Demand was particularly heavy for the main OAT 8.70 per cent 1995 bond, with FFr9.65bn of bids. The Treasury eventually satisfied FFr4.155bn of bids at an average yield of 8.72 per cent. Offers at the cut-off price had to be heavily scaled down.

The floating rate OAT TME 1996 bond, indexed on the monthly average of long-term government bond yields, also attracted strong demand. The Treasury serviced only FFr2.2bn of the FFr10.3bn of bids, at an average yield of 94 basis points below the index.

The final tranche of the auction, the OAT 8.5 per cent 2002, attracted FFr5.55bn of bids. Only FFr1.125bn were served, at an average yield of 9.29 per cent.

Dealers said most bidders had lowered their submission prices after the secondary market opened lower yesterday morning, but two major banks had bid heavily for the seven-year and floating-rate bonds, in order to place them through their branch networks.

Institutional investors mostly bid well below the cut-off prices, reflecting a lack of confidence. But the market's buoyancy, despite the large amount of paper allocated by the Treasury, has encouraged some investors to increase their holdings.

Danske Bank seeks DKr304m

By Hilary Barnes in Copenhagen

DANSKE BANK, Denmark's biggest commercial bank, plans a one-for-six rights issue at DKr250 a share to raise around DKr304m ($42.6m).

The equity increase was announced together with the first half results, which show a 14 per cent increase in operating profits to DKr801m before provisions. In addition, the bank made a capital gain, mostly unrealised, of DKr858m on its securities portfolio as a result of rising domestic bond and share prices. The first-half gain on securities last year was only DKr70m.

Operating profits for the year as a whole will show an increase, said chief executive, Mr Taje Andersen yesterday. However, the net result will depend on how securities markets develop in the current six months, he added.

The improvement in operating profits was the result of an increase by 11 per cent in income before costs, while the rise in costs was kept to 8 per cent.

Loss provisions will be higher this year than in 1987, said Mr Andersen. The losses will be particularly high for private customers, but some business customers will also be affected, he said. The rise in provisions will reflect the current recession in Denmark.

Smorgon steps up bid for balance of Humes

By Bruce Jacques in Sydney

TWO SUITORS making Australian bids worth more than A$700m (US$564.5m) in total have raised their offers in an effort to win 100 per cent control of their targets.

Smorgon Consolidated Industries has stepped up its bid for Humes, the Melbourne-based industrial group, by 20 cents to A$2.60 a share to value the company at A$654m. Smorgon has recently increased its shareholding in Humes from 59.5 to 65 per cent by stock market purchases.

But the largest of Humes remaining shareholders, the Australian Mutual Provident with more than 16 per cent of the company, has stated that it is determined not to accept the higher bid.

Ms Sally Aw, popularly known as the Tiger Balm heiress, has increased her offer for Cereus Australia to A$5 a share, valuing the company at more than A$70m. Bidding through the privately-owned Kargat Pty, Ms Aw's earlier offer of A$4.65 a share had been rejected by Cereus' independent directors.

Ms Aw already controls 73.5 per cent of Cereus but wants 100 per cent control in order to relocate this part of her corporate empire in Hong Kong.

At the same time the Australian merchant banking scene is facing further rationalisation following the decision by Australian Guarantee Corporation to sell its stake in Bill Acceptance Corporation.

AGC is a subsidiary of Westpac Banking Corporation which already controls its own merchant bank, Partnership Pacific. Westpac said maintaining the two merchant banks would create unnecessary duplication.

Ashton Mining makes offer for Hill Minerals

By Our Financial Staff

ASHTON MINING, the Australian diamond producer, is to bid A$1.10 cash a share for Hill Minerals, the Australian gold mining group. Ashton already owns 39 per cent of Hill Minerals which is valued at A$53.2m (US$42.9) by the offer.

Mr David Tyrwhitt, Ashton chief executive, said the bid marked a move into direct gold production for Ashton, which is 46 per cent owned by Malaysian Mining Corporation and which has as its main asset a 38.2 per cent stake in the Argyle project, the world's largest diamond mine.

Hill Minerals has an equity stake in about 50,000 ounces of annual gold output from a variety of projects in Western Australia, including a gold project near Laverton which is expected to start up next month.

The Ashton offer represents a premium of 51 per cent over the price at which Hill Mineral shares have traded recently.

ABB acquires GE service operations

By Sara Webb in Stockholm

ASEA Brown Boveri (ABB), the Swedish-Swiss electrical engineering group, has acquired the service operations of General Electric of the US in Portugal and the Portuguese-speaking African countries of Angola, Mozambique, and Guinea Bissau.

The acquired service operations cover electrical and electromechanical maintenance and repair work. They have an annual invoicing of around Esc1bn-1.2bn, or SKr60-70m ($9.3m-10.9m), employ 230 people, and showed a profit last year.

The deal will roughly quadruple the size of ABB's operations in these markets. ABB said that it would open the door to important renovation work on power stations in Angola where the war has destroyed several installations.

ABB claimed the deal would boost its market share in Portugal to about 50 per cent. Its two main competitors, Siemens of West Germany and Efacec of Portugal, each has around 20 per cent of the market.

NEI lifts profits

NEI, South African unit of the Northern Engineering Industries group, lifted first-half pre-tax profit to R23m ($9.3m) from R16.8m and forecasts a further profit increase in the second half, writes Jim Jones in Johannesburg.

Pre-tax profit for the whole of last year was R37.5m.

Last year's total turnover was R382m.

Trading restricted ahead of US employment data

By Dominique Jackson

TRADING VOLUMES in the Eurobond market were limited and price movements dictated by technical factors ahead of today's key US July employment data which is expected to set near term trends.

Speculation about today's data dominated business with news of a jump in first-time US jobless claims providing some support to Treasury and Eurodollar bond prices, which showed a marginally firmer tone at the close of London trading.

The resilience of the pound on the foreign exchanges also buoyed gilts and Eurosterling issues, although the upcoming US data restricted volumes.

In West Germany, the announcement of the terms on the new federal government bond and a firmer edge to the dollar combined to depress both domestic and Euromark prices.

The new DM4bn 10-year issue at par carried a coupon of 6¾ per cent. Although this was the highest coupon level on a new government issue seen so far this year, it disappointed most dealers who felt that a yield of around 6.90 would have excited more interest among investors.

Nomura International led a $200m two-year deal for Sweden at 8⅝ per cent and 100.95. This was the first time that a Japanese bank had led an issue for the borrower in fixed rate US dollars.

The pricing, for an initial 23 basis point spread at launch over comparable Treasury issues was considered aggressive but broadly in line with the market.

It was considered acceptable for a borrower of Sweden's standing and the lead manager pointed out that spreads between Eurodollar issues and Treasury bonds have narrowed considerably over the last couple of weeks.

INTERNATIONAL BONDS

Syndicate teams are still reporting healthy interest for short-dated US and Canadian dollars from a contingent of retail investors who could go for the new Sweden deal. The lead manager said interest was seen from several institutions and central banks. However, the co-management group suggested that a substantial part of the issue was targetted at Tokyo.

At the end of the day, the deal was bid at a discount of 1.10 within its total fees.

Kleinwort Benson brought a £115m mortgage-backed floating rate note for Mortgage Funding Corporation Number Two. The deal has a final maturity in 2023 but an expected average life of between seven and nine years. The coupon on the par-priced issue for the first 10 years will be 32¼ basis points over the London interbank offered rate and 50 basis points thereafter. The issue features a call option in 1993 at par.

Nikko Securities led a Y5bn four-year deal for Den Danske Bank on which the redemption will be linked to the US dollar/yen exchange rate. The coupon is 5½ per cent while the issue is priced at 101⅞, but it is not expected to trade widely.

Yamaichi International led a $100m four-year equity warrant deal for Nichirei, the Japanese cold storage company, on which the coupon is indicated at 4⅛ per cent. The deal, one of the first to be launched since an informal agreement between lead managers to restrict new issues, saw fair demand and was bid within fees.

Despite a volatile day's trading on the Tokyo stock exchange, most of the recent issues were holding up far better than they did so a couple of weeks ago.

Banque Nationale de Paris Capital Markets led a FFr500m issue for a Curacao-based financing unit of Deutsche Bank, guaranteed by the parent. The five-year issue, with a coupon of 8⅞ per cent and priced at 101⅞, saw good demand and was bid at a discount comfortably within its total fees.

Industriekreditbank led a DM75m five-year issue at 6 per cent and 101⅞ for its own financing subsidiary, IKB International Luxembourg which was popular and well placed.

Daimler takes Seastar stake

DAIMLER-BENZ has agreed to take a 20 per cent stake in a company belonging to the Dornier family which is developing an amphibious aircraft, according to the Dorniers' lawyer, Ms Martine Dornier-Tiefenthaler, Reuter reports.

The Daimler stake in Dornier Seastar would secure the future of the 12-seater Dornier Seastar project and form part of the agreement between Daimler and the Dornier family. Under that accord Daimler injected DM300m ($160m) into its aerospace unit, Dornier.

The Dorniers agreed to give up their veto rights in the company in return for a package of compensatory measures from Daimler. Daimler owns 65.5 per cent of Dornier and the Dornier family holds 30.5 per cent.

Ms Dornier-Tiefenthaler said Daimler would pay around DM5m for its 20 per cent stake in Dornier Seastar, which was owned exclusively by the Dorniers.

She added Seastar would also take over 100,000 sq metres of ground previously owned by the Dornier company. Until now, Seastar only had the right to use this land.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on August 4

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94⅛	94⅝	0	+0¼	9.41
All Nippon Air 9⅞ 97	100	†95	95½	0	+0¼	10.21
Amer. Brands 8⅞ 92	150	†97¾	98¼	0	+0¾	9.50
A/S Eksportfinans 7⅝ 93	100	†92¾	93¼	0	+0¼	9.32
A/S Eksportfinans 7¼ 92	150	94⅝	95⅛	−0⅛	+0¼	9.01
Austria 10 98	100	†103¼	103¾	0	+0⅞	9.44
Barc. Bk. Fin. 10⅛ 89	200	†101¾	102¼	0	+0⅛	8.55
B.F.C.E. 7 92	150	93⅛	93⅝	0	+0¼	9.10
British Telecom 7⅝ 96	250	89½	90⅛	0	+0⅞	9.48
Cal.Natl.Telecom 8½ 93	160	†98¼	98¾	0	+0⅜	8.89
Canada 9 96	1000	98⅜	98⅞	−0⅛	+1	9.24
Canadian Pac 10¾ 93	100	†103⅞	104⅜	0	+0⅜	9.70
C.C.C.E 7⅛ 91	113	†94⅝	95⅛	0	+0⅜	9.01
C.C.C.E 9¼ 95	300	99	99½	0	+1⅛	9.39
C.N.C.A 7¼ 91	150	94⅜	94⅞	−0⅛	+0¼	9.19
Credit Lyonnais 9 91	200	100	100⅜	−0⅛	+0⅛	8.90
Credit National 8¼ 93	200	96¼	96¾	−0⅛	+0⅜	9.18
Credit National 7⅜ 92	100	94⅝	95⅛	+0¼	+0⅞	9.04
Credit National 7¼ 91	150	94½	95	−0⅛	+0¼	9.10
Denmark 7½ 92	500	93½	94	0	+0⅜	9.22
E.E.C. 7 91	100	94½	95	0	+0⅝	8.86
E.E.C. 7¼ 93	250	93⅛	93½	0	+0⅝	9.10
E.E.C. 8 90	350	98⅝	99⅛	0	+0⅛	8.64
E.I.B. 7⅝ 93	100	93⅜	93⅞	0	+0⅝	9.16
E.I.B. 9⅜ 97	150	99⅜	99⅞	0	+0⅞	9.44
Elec.De France 9 98	200	95¾	96¼	0	+0¾	9.64
Finland 7⅞ 97	200	89½	90⅛	0	+1	9.68
Finland 7½ 93	200	93	93½	0	+0½	9.24
Finn.Exp.Cd. 8½ 92	200	98⅝	99⅛	−0⅛	+0¾	8.85
Ford Motor Credit 8 91	250	†97⅝	98⅛	0	+0¾	8.91
Gen Elec Credit 10¼ 00	200	†100⅞	101¼	0	+0⅜	10.09
G.M.A.C. 8 89	250	99⅝	100	0	+0½	8.37
G.M.A.C. 8¼ 89	200	99⅝	100⅛	0	+0½	8.4
Halifax BS 9½ 93	200	†100⅛	100⅝	0	+0½	9.39
Hoesch 8¼ 97	100	†93⅝	94⅛	0	+0⅜	9.30
Italy 9 90	1000	100⅝	101	0	+0⅝	8.64
L.T.C.B. of Japan 8 91	100	97¾	98⅛	0	+0¼	8.78
L.T.C.B. of Japan 8 97	200	89	89½	0	+0⅝	9.92
Mercds-Benz Cd. 8½ 95	100	95¼	95¾	0	+0⅝	9.43
Metropolis Tokyo 9½ 93	200	101⅞	101¾	0	+0⅞	9.04
Morgan Guaranty Tst. 7 90	150	97⅜	97¾	0	+0½	8.69
Norway 8¾ 93	500	98⅝	99⅛	0	+0½	9.04
Pepsico Inc 7⅜ 93	200	†93¼	94¼	0	+2⅜	8.96
Portugal 8¼ 91	300	97⅝	98⅛	−0⅛	0	9.16
Prudential Crp. 8¾ 94	125	98¼	98¾	0	+0½	9.08
Qantas Airways 10⅛ 95	140	103¼	104⅛	0	+1	9.55
Saskatchewan 10¾ 92	100	104⅜	104⅞	0	+0⅝	9.14
State Bk S Aust 9¼ 93	100	99⅜	99⅞	0	+0¾	9.33
Swed Exp Cred 7¼ 91	100	†94¾	95¼	−0⅛	+0⅛	9.01
Swed Exp Cred 10 92	100	†102½	103	0	+0⅛	9.10
Sweden 7 91	250	94¾	95¼	0	+0¾	8.86
Sweden 7 92	250	†94	94½	0	+0⅜	8.95
Sweden 8¾ 96	200	96	96½	−0⅛	+0⅞	9.44
Sweden 8½ 92	200	†98½	99	0	+0⅞	8.88
Victorian Rep 11⅛ 92	150	107⅛	107⅝	0	+0⅝	9.17
World Bank 7 92	300	†94⅛	94⅝	−0⅛	+0¼	8.92
World Bank 9 97	300	97¼	97¾	0	+0¼	9.42
Yasuda Trust Fin 8½ 93	100	96½	97	0	+0¼	9.38

Average price change... On day 0 on week +0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	99½	100⅛	+0¼	0	6.02
Avis Fin.SVS 5⅞ 92	100	100⅛	100⅝	+0⅛	−0⅛	5.74
Bank of Tokyo 5¾ 93	100	100⅜	100⅞	+0⅛	−0¼	5.58
Central BK. Turkey 7 92	200	102⅞	103¼	−0⅛	−0¼	6.15
Commerzbank o/s. 5⅝ 93	300	98½	99	0	−0½	5.69
Degussa Int. 6⅛ 97	200	98¾	99⅛	0	−0⅜	6.25
E.I.B 5½ 98	150	96⅝	97⅛	0	−0¼	5.95
E.I.B 6 97	300	97⅞	98½	−0¼	+0⅛	6.28
E.I.B. 6⅛ 96	300	99¼	99⅞	−0⅛	+0⅜	6.20
E.I.B. 6⅛ 97	400	98½	99	+0⅛	0	6.31
E.I.B. 6⅞ 95	300	103	103⅝	−0⅛	+0⅜	6.28
Euro.Coal & Steel 5⅞ 97	175	96⅝	97¼	0	+0¼	6.35
Eurofima 6¼ 96	100	101⅛	101⅝	+0½	+1¼	6.02
Elec De France 5¾ 97	300	96	96⅝	0	0	6.29
Forsmark Krtg. 5⅛ 93	200	97½	98	+0⅛	0	5.69
I.A.D.B. 6 97	200	97	97⅝	−0⅛	0	6.41
Japan Dev. Bk. 5⅞ 95	300	†95⅝	96⅝	−0⅛	−0⅛	6.09
Japan Finance 5¾ 97	100	94⅝	95¼	0	+0¼	6.55
Ireland 6½ 97	300	98	98½	0	−0⅜	6.77
Korea Dev BK 6⅝ 93	100	102⅛	102⅞	0	+0½	6.01
Malaysia 6¼ 94	150	98⅞	99⅝	0	0	6.40
Nat. West BK. PLC 6 98	300	95¼	95¾	0	0	6.64
Oesters. Kontbk. 5 93	300	98⅛	98¾	+0⅛	+0¼	5.41
Portugal 5¾ 92	150	100½	101⅛	0	+0⅜	5.50
Portugal 6⅝ 95	150	102⅜	103	0	+0¼	6.15
Privatbanken 5½ 93	150	97	97½	−0⅛	−0⅞	5.95
Royal Insurance 5½ 92	300	100⅝	101⅛	+0⅝	+1⅛	5.22
Soc Cent Nuclear 7¼ 95	150	102¾	103⅛	−0⅝	−0½	6.69
Turkey 6½ 95	500	†97⅝	97⅞	0	+0¼	6.92
Westlb. Finance 5 93	200	†98⅞	99¼	0	−0⅛	5.24
World BK. 6¼ 97	600	99½	100	−0½	+0¼	6.32

Average price change... On day 0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†100	100¼	0	0	4.98
Asfinag 5 03	100	†99¾	100	0	0	5.01
B.F.C.E. 4½ 98	200	†97¾	98	0	0	4.77
B.M.W.Fin.Neth. 5 13	150	†93½	93¾	+0⅛	+0⅜	5.47
Britannia B/S. 4¼ 94	100	†97½	98	+0⅜	+0⅞	4.70
Chir Int. W/W 3 93	125	†103	103½	−0¼	−1¼	2.66
Credit Lyonnais 4¾ 00	100	†97¾	98	0	0	4.99
E.I.B 4⅝ 98	150	†98¾	99	0	0	4.77
Fletcher Chall. 4⅞ 98	150	†97	97¼	−0⅛	+0⅛	5.26
Kobe City 4⅝ 98	150	†98¾	99	+0⅛	−0⅜	4.77
Leeds Perm. B/S. 4⅛ 93	200	†98½	99	0	+0⅛	4.42
Malaysia 5¼ 98	100	†99	99¼	0	0	5.36
Maxwell Comm.Crp. 5 95	150	†101½	102	+0¼	+0⅛	4.69
Nationwide Ang.B/S. 4 93	200	†97¼	97½	0	+0¼	4.61
Nippon Telg.&Tel.4¼ 95	200	†99¾	100½	+0½	+0⅜	4.23
Oesters. Ktbk. 5 03	75	†98¾	99	0	−0¼	5.11
Rep.National Bk. 4 93	150	†96	96¼	+0¼	0	4.44
Thailand 4⅝ 95	200	†95¼	95½	0	0	5.44
World Bank 5 03	150	†98	98¼	+0¼	+0¼	5.18

Average price change... On day +0⅛ on week +0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅜ 92	55	101	101¼	−0⅛	0	5.07
Belgium 4⅝ 94	45	96¼	96⅝	0	+0⅜	5.34
Canada 4⅝ 92	80	97⅞	98	+0⅛	+0⅛	4.99
Elec. De France 5⅛ 94	20	99	99½	0	+0¼	5.28
Ireland 5¼ 93	30	99⅞	100⅜	0	+0¼	5.09
Norway 5¼ 95	50	98⅝	99	+0⅛	+0⅜	5.32
Rep. of Italy 5¼ 92	150	102½	102⅝	0	0	4.91
Sweden 4⅝ 93	50	97½	97¾	0	0	5.19
World Bank 5½ 92	50	102	102¼	0	+0⅛	4.91

Average price change... On day +0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10⅛ 93 £	50	99⅝	100⅛	+0⅜	+0⅜	10.25
Alg. Bk. Ned. 5½ 92 FL	150	99⅛	99⅞	0	−0⅛	5.65
Amro Bank 6¼ 92 FL	150	100½	101¼	−0⅛	−0⅛	6.00
Barc. Aust. 14 91 A$	20	101⅜	102	+0¼	0	13.29
Barc. Bk. 10¼ 97 £	250	97	97½	+0¼	+0¾	10.71
BP Capital 9¾ 93 £	100	98	98½	+0¼	+0½	10.21
British Airways 10 98 £	100	95	95½	+0¼	+0¼	10.80
C.I.B.C.Mort.10¼ 93 C$	100	†101¼	101¾	+0⅝	+1	10.28
Coop.Ctr.Rabo.6¼ 93 FL	100	100⅜	100⅞	−0⅛	−0⅛	6.07
Coop.Ctr.Rabo.6 92 FL	200	100½	101	0	+0¼	5.78
Denmark 7¾ 92 ECU	100	100⅝	101⅛	0	+0⅜	7.43
Deutsche Bank 9⅞ 97 £	75	†95½	96	0	+0½	10.63
Deut. Bk.Aust.12¾ 95 A$	70	99⅝	100	0	+0¼	12.80
E.I.B 10⅛ 98 C$	130	†99⅝	100⅛	+0⅝	+1	10.13
E.I.B 8⅝ 93 LF	10	†100¾	101¼	−0½	−0½	8.32
Elec.France 10¼ 95 C$	125	†100¾	101¼	+0⅝	+1	10.03
Euratom 7⅜ 97 ECU	145	95⅞	96⅜	+0⅜	+0⅝	8.00
Eurofima 7½ 92 FL	50	†105	105½	0	−0⅜	5.88
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†100⅛	100⅝	+0⅝	+1	9.61
Ford Cr.Can.10¼ 93 C$	100	†102	102½	+0⅝	+1	10.07
Gillette Can. 9⅝ 93 £	70	94⅜	95	0	+0¼	11.06
G.M.A.C. 9¾ 93 C$	150	†98⅜	98⅞	+0⅝	+1	10.10
G.M.A.C. 9¼ 92 C$	75	†99¾	100¼	0	0	9.23
G.M.A.C Aus.Fin.14 90 A$	50	100⅝	101⅛	+0⅛	−0¼	13.43
Halifax BS 10⅜ 97 £	100	97⅛	98	+0⅛	+0¼	10.79
Imp Chem Inds 10 03 £	100	96⅛	97	+0⅜	+0¼	10.44
Inv. Industry Int.10 93 £	60	98	98¼	+0¼	0	10.50
Lloyds Bank 10¼ 98 £	150	95⅜	95⅞	+0⅜	+0¼	10.99
Montreal Tst.10¼ 93 C$	100	†96¼	96⅝	+0⅝	+1	11.75
Mtge.Bk.Den. 6¼ 91 FL	100	101½	102⅛	0	−0⅞	5.97
Nat.Australia 14 92 A$	50	101	101½	+0¼	+0¼	13.76
Nat. West.Bk.13¼ 92 A$	50	†99	99½	0	0	13.31
Nationwide BS 10¼ 93 £	75	98⅛	98⅝	+0¼	+0¼	10.58
Ned.Midd.Bank 6 92 FL	150	100	100½	0	−0¼	5.91
New Zealand 9½ 93 £	100	96⅜	96⅞	+0¼	+0½	10.41
New Zealand 7¾ 93 ECU	200	100⅛	100½	0	−0¼	7.66
Oesters.Ktbk.13⅝ 94 A$	75	102⅛	102⅝	+0⅛	+0⅜	13.02
Prudential Fin.9⅜ 07 £	150	†89½	90	+0⅛	+0⅝	10.65
Royal Bk.Scot.10⅝ 98 £	125	97⅜	97⅞	+0¼	+0¼	11.09
S.D.R. 7¾ 95 ECU	90	99⅛	99⅝	+0¼	+0⅛	7.86
Wstd.Lb.Fin. 12½ 93 A$	50	†99½	100	+0⅛	0	12.53
World Bank 5¾ 92 FL	100	99⅞	100⅜	0	−0⅝	5.70
World Bank 13⅜ 92 A$	100	†100½	101	+0⅛	+0¼	13.11

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.72	99.77	21/07	8.33
Belgium 91 US	0	100.41	100.51	22/08	7
Britannia 5 93 £	0⅛	99.62	99.67	10/10	10.37
Chase Manhattan Crp.91 US	0¼	99.28	99.45	22/08	6.94
Citicorp 98 US	†0¼	96.85	97.10	31/08	7.69
EEC 3 92 DM	†0	100.32	100.42	22/08	3.56
Halifax BS 94 £	.1	99.68	99.73	9/08	8.47
Invt. in Industry 94 £	0	99.58	99.68	24/08	7.81
Leeds Perm. B/S. 94 £	0⅛	99.86	99.91	13/01	10.44
Midland Bank 01 £	.1	94.75	95.75	11/08	8.54
Milk Mkt.Brd. 5 93 £	0⅛	99.52	99.56	30/09	10
New Zealand 5 97 £	.07	99.91	100.01	18/08	7.81
New Zealand 5 01 US	0	99.93	100.03	4/08	6.98
State Bk. Nsw. 98 US	.188	100.29	100.39	11/08	7.09
United Kingdom 5 92 US	†0	100.01	100.11	7/01	7.81
Woolwich Equit.BS. 93 £	0⅛	99.59	99.64	15/07	5.12
Woolwich 5 95 £	0⅛	99.40	99.45	19/08	7.87

Average price change... On day +0.00 on week +0.04

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	105	106	−0¼	23.70
Alco Health 6¼ 01 US	†7/86	26.25	107	108	−3½	−0.57
Amer. Brands 7¼ 02 US	9/87	56.7	100⅞	101⅞	+0⅞	20.38
Ashikaga Bank 2⅛ 02 US	4/87	967.	130⅝	132⅛	0	2.96
Asics 5 92 DM	12/83	472.7	202¼	203⅞	0	4.46
CBS, Inc. 5 02 US	4/87	200.	93	94	+1¼	13.16
Fujitsu 3 99 US	5/84	1106.	279⅜	280⅜	−5⅞	−3.16
Kinki-Sogo Bk.2⅞ 03 US	4/88	1069.	122⅛	123⅝	−2⅛	2.63
Land Secs. 6¼ 02 £	6/87	6.72	97	98	+0⅞	11.43
MCA INC 5½ 02 US	9/87	69.62	81¼	82¼	+0⅛	33.93
Minolta Camera 2¼ 94DM	2/86	1004.	102⅞	104⅛	+0⅞	20.36
Mitsubishi Bk.1¾ 02 US	9/87	3157.	112	113⅞	−0¼	4.80
Mitsui trust 2⅞ 01 US	10/86	1905.	125⅞	127⅛	−3⅛	−1.95
Next PLC 5¾ 03 £	11/87	4.3	100½	101½	−0¼	79.98
Nishi Nipp.Bk.2⅞ 03 US	4/88	804.	116⅛	117¼	−0½	4.74
Omron Tateisi 2⅞ 02 US	4/87	1310.	222⅝	224	−1⅞	2.06
Primerica 5¼ 02 US	4/87	66.75	65¼	66¼	−0¼	67.19
Ranks Hovis 4¾ 03 £	1/88	3.5	129½	130½	−0⅜	−0.66
Redland 7¼ 02 £	1/87	5.4	90⅞	91⅞	+0⅝	12.91
Saatchi&Stchi.6¾ 03 £	†10/89	4.41	99½	100¼	0	22.35
Texas Inst. 2¾ 02 US	9/87	82.87	76½	77½	−0½	49.27
W.R. Grace 6¼ 02 US	9/87	42.12	84½	85½	+0½	35.73

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK COMPANY NEWS

Wereldhave defends 612p offer price for Peachey Property

Wereldhave, the Dutch property company making a hostile bid for Peachey Property Corporation, has rejected Peachey's claim that its 612p per share offer undervalues the company.

Wereldhave stated that the bid did take account of Peachey's net asset value per share of 629p cited by Sir Charles Ball, Peachey chairman, on Wednesday. The £265m offer also took account of a 94p per share tax liability which cut the genuine asset value to 535p per share, it said. In addition, Wereldhave offered a 37.5 per cent premium over the price on April 26, the day before the first purchases by the Dutch company. "Wereldhave continues to believe its bid is good and its value is more than acceptable". It currently has about 10 per cent of Peachey's equity. The bid remains open for acceptance until August 11.

Investment bank gains 38% of IFICO

Industrial Finance and Investment Corporation, the finance and property group, is to gain a group of major international shareholders, a new chairman and three new board members as a result of a complex deal announced yesterday, writes Andrew Hill. CRC International Finance (CRCI), an investment banking company, is selling its wholly-owned subsidiary, CRC Securities (CRCS), to IFICO for a maximum of £2.6m in shares.

Meanwhile, APA Europe Investments is selling a 29.9 per cent stake in the finance group to CRCI at 115p per share, against last night's closing price of 101p, up 4p. As a result, CRCI will hold up to 38.14 per cent of IFICO which will be distributed among 19 large institutional shareholders from Europe, the Far East and US. APA, which bought over 40 per cent of IFICO in 1986, is an investment company headed by Mr Garry Carter, an Australian entrepreneur. Following the deal announced yesterday Mr Carter will resign as a director of IFICO, but APA will retain about 10.74 per cent of the finance group. Mr Claude Charles, CRCI's founder and chief executive, will join IFICO as an executive director and take over from Mr John Sleeman as chairman in November. Mr Tan Kay Hock and Mr Joseph Steinberg – chairman and president respectively of two of CRCI's institutional shareholders – will join IFICO as non-executive directors.

IFICO said CRCS' international mergers and acquisitions business would fit well with the UK finance group's domestic corporate finance operation. Secondary payments to CRCI are dependent on CRCS' performance in the year to December 31 1988.

Standard Chartered arm rises 29%

Chartered Trust, the finance house subsidiary of Standard Chartered Bank, raised profits by 29 per cent in the first half of this year, writes David Lascelles. Before tax, profits grew from £8.56m to £11.02m.

The company said the result reflected strong trading performances by all the operating divisions, including point-of-sale motor finance, direct personal lending, property lending and contract hire. Loan volumes were up, and the bad debt and arrears performance continued to be satisfactory.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
BPP Holdings	int	3.4	-	2.6	-	6.6
Coated Elect §	fin	nil	-	2.6	1.4†	3.9
Cowan de Groot	fin	0.75	Oct 3	1.25	1.5	2.5
Cowie (T)	int	1.2	-	0.6*	-	2.6*
CSL §	int	1.2†	Dec 2	1	-	2
Finlan	fin	2.5†	-	2.2	4.5	4
Heywood Williams	int	4	Oct 1	3.5	-	9.5
Hickson Intl.	int	2.25	Oct 3	1.63*	-	5.63*
J.Jarvis	fin	1.1	Oct 12	1.07*	1.6	2*
Mid Wynd Intl	fin	1.9	-	1.7	3.2	2.9
Peel Holdings	fin	3.5†	-	3.25*	5.25	4.75*
TR City of Lon.	fin	0.73	Aug 31	0.67	2.65	2.32*
Vantage Secs	int	0.6	—	0.8	—	2.6
W'minster Prop	fin	7	-	nil	8.5	nil
YRM	fin	2	Oct 18	-	3	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims— Arley Holdgs, CBC Inc Tst, Edinburgh Oil & Gas, Hadson Tech, Inv Tst, Guernsey, Highds & Islands Inv Tst.

Finals— BCE Hldgs, Martin Estates, Pavion Intl.

FUTURE DATES

Interims—

EIS Group	Sept 19
Macrae Grp	Sept 13
Int. Thomson	Aug 10
Queens Moat Houses	Aug 24
Standard Chartered	Aug 17
Templeton, Galbraith	Aug 23

Finals—

BCE Hldgs	Aug 5
McKay Secs	Aug 9

Changes at TI win City plaudits

Vanessa Houlder on the revitalising of a once-troubled engineer

"WE HAVE done what we said we would do. We have achieved our strategy, we have become a truly international company, and we have done it a year faster than we thought we could."

Mr Christopher Lewinton, the chief executive of TI, is well pleased with the outcome *of his past two years work*. This amounts to a transformation of a Midland-based conglomerate of consumer and engineering businesses, into a thoroughly international business, sharply focused on specialist engineering businesses.

The changes are winning plaudits from a once sceptical City. Although the full benefits of the new businesses are unproven, yesterday's results were seen as confirmation that the company holds promise for the future.

"The transformation in margins and the quality of the businesses has been amazing," according to David Blackwood of Hoare Govett. "Seldom do you find a company that has such a clear idea of where it is going," says Bob Bucknell of Smith New Court.

If this confidence in TI's management is justified, TI has a chance to reverse the spiral of decline it has been caught in over the past decade. For in its heyday, Tube Investments was virtually a symbol of the UK's engineering greatness – with its pre-eminence reflected by a place in the FT 30 index. But by the early 1980s the company was brought to its knees by a combination of the strong pound, the recession and the legacy of a haphazard acquisition policy.

TI DISPOSALS AND ACQUISITIONS

SOLD - 1988		SOLD - 1987	
TI Chesterfield	£7.0m	Stainless Tubes	£7.1m
Serco Corp	£2.5m	TI Machine Tools	£6.5m
TI Robertson	£2.0m	TI Tube Products	£6.8m
75% stake in Cold Drawn Tubes & 26% in Seamless Tubes	£4.0m	Turnright Controls	£1.8m
Six peripheral businesses of Houdaille	$200.0m	New World Cookers	£18.6m
		TI Creda	£125.9m
		TI Glow-worm & TI Parkray	£63.5m
		Raleigh	£18.0m
		TI Russell Hobbs & TI Tower Housewares	£12.0m
BOUGHT - 1988		**BOUGHT - 1987**	
Bundy	£90.0m	Armco SDT (Europe)	£27.0m
		John Crane-Houdaille	$500.0m
		Fulton (TI) (outstanding 49%)	£4.3m

Although subjected to heavy surgery it was slow to respond. By 1985, when Evered, a small but ambitious engineering group built up a 20 per cent stake, TI was the butt of a score of takeover rumours.

Thus galvanised, TI recruited Mr Lewinton as chief executive from Allegheny International of the US. Before long he had formulated a strategy proselytized in the form of a "mission statement."

The glossy image this projected and the perceived showmanship of the chairman raised eyebrows in the City. In some quarters this turned to concern when TI sold off its domestic appliance division at the start of 1987. These businesses, which included household names such as Creda electric cookers and New World gas appliances, generated strong cash flow and were seen as a mainstay of the group.

The deal, which followed the sale of the persistently trouble-some Raleigh bicycle group, left some critics doubting whether Mr Lewinton would be able to find good businesses of a sufficient size and scale to replace those that had been sold.

These worries were, to a large extent, soothed by the two major acquisitions announced in the second half of the year. First, TI bought Houdaille Industries for $500m with an eye to extricating John Crane, the world's largest producer of mechanical seals and selling off the peripheral businesses – a manoeuvre that it later successfully accomplished.

Next, TI announced a bid for Bundy, the largest North American maker of small diameter tubing used in refrigerators and in cars. This deal was blasted off course by the October 19 share market crash but was resurrected – at a slightly higher price – in March.

In spite of their size, neither deal was particularly audacious. Both businesses were logical extensions to TI's existing businesses and TI already owned 51 per cent of Crane Packing, the UK arm of Crane USA which owned the balance.

The upshot of these deals was to broaden TI's customer base and shift it away from its role as an exporter into an international manufacturer. This, argues Mr Lewinton, should reduce TI's currency exposure (profits took just £1m knock on translation) and its vulnerability to a cyclical downturn.

"It is a very low risk strategy," insists Mr Lewinton. "For us to be hurt, there must be a broad malaise across many industries and many countries."

Looking to the future, Mr Lewinton promises more deal-making. In addition to bolt on acquisitions, TI is searching for a major new leg to the business – although this too will be an international specialist engineering business.

This deal is likely to be rather more risky than hitherto, since TI will lack the detailed grasp of the businesses it displayed with Crane and Bundy. But, unlike last year, TI intends to take its time in assessing these acquisitions.

The City is, in any case, positive about the prospects of TI's existing businesses. Estimates for the full year range around £83m, which, after the recent sharp rise in the share price to 369p, puts the stock on a multiple of 10 – marginally above that of the engineering sector.

Furthermore, if TI does decide to take a respite from hectic deal making in favour of bedding down the existing acquisitions, it will be welcomed by some. For although *TI has proved it can do deals*, its overriding challenge is to make a success of its existing businesses.

Enlarged BA shows first quarter profit £9m lower at £91m

By Michael Donne, Aerospace Correspondent

BRITISH AIRWAYS announced pre-tax profits of £81m for the April-June quarter, down £9m from the £90m in the comparable period last year before the acquisition of British Caledonian Airways.

Turnover of the merged airline group was up 13 per cent from £900m to just over £1bn, and the operating surplus rose 19 per cent from £88m to £105m. Profits after tax amounted to £53m against £58m. Earnings per share amounted to 7.4p (8.1p).

Lord King of Wartnaby, chairman, described the unaudited results yesterday as "satisfactory."

He said scheduled passenger numbers were up 16 per cent to 5.7m. But although passenger load factors fell from 71.4 per cent to 66.2 per cent, increases in Club World and Club Europe business produced higher yields.

Lord King said BA's own performance had been "close to target".

So far as the original BCal operations were concerned, BA had now taken "firm control of costs", but the load factors and yields on former BCal services were still well below BA's own standards.

"But most importantly for the future, the strength of British Airways' marketing resources can now be applied to exploit to the full the potential of the old BCal route structure".

Lord King said the debt/equity ratio at June 30 was 60/40. Borrowings totalled just over £1bn, an increase over last year of £739m, mostly due to the acquisition of BCal and payments on account for new aircraft. Net worth increased from £565m to £682m.

Sir Colin Marshall, chief executive, declined to comment on possible full-year results, although to date the second quarter results were similar to those in the first. BA's pre-tax profit for the full year, 1987-88, was £228m.

He said the full benefits of the BCal acquisition would not be seen until the next financial year, 1989-90. "We have always made that clear", he said.

It was not possible to determine what the results for the first quarter would have been without BCal, since the latter ceased to exist as a separate entity on April 1.

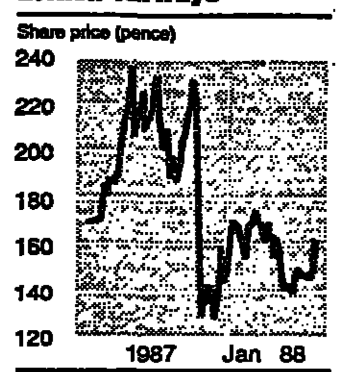
But BCal's load factors before the takeover had been below those of comparable BA operations by as much as 8 to 9 per cent, and the task now was to rebuild the traffic on the former BCal routes.

Among other developments, BA was strengthening its business at Gatwick by making full use of the new North terminal, thereby releasing aircraft and other resources for expansion at regional airports such as Birmingham and Manchester.

Although Sir Colin declined to comment on suggestions that BA intends to put in a bid for a minority stake in Air New Zealand, it is widely believed it will do so. Such bids are needed by close of business in New Zealand today.

See Lex

British Airways



Finance side boost for Cowie

By Clare Pearson

T. COWIE, motor dealer and Britain's largest vehicle contract hire group, achieved a 61 per cent increase in pre-tax profits to £10.56m in the six months to the end of June. Turnover rose from £138.46m to £224.88m.

The interim dividend is doubled to 1.2p. Mr Tom Cowie, chairman, said this was in answer to City criticism that the company's dividend policy has been "miserly." Earnings per share rose 27 per cent to 6.59p (5.17p).

The dominant finance division, comprising contract hire, leasing, and hire purchase, increased profits 85 per cent to £5.78m (£3.12m).

The motor division showed a 37 per cent increase in profits to £3.21m (£2.35m).

Unused proceeds of Cowie's £44m rights issue last autumn accounted for the bulk of head office profits of £1.23m (£928,000). There were no profits on securities dealing, which had contributed £2.9m to the full-year figures.

● COMMENT

Cowie evokes enthusiasm from some since it has an enviably wide spread of automobile activities, and a guaranteed income stream from its contract hire business, which accounts for more than half of profits. These results were well up to expectations; helped by the dividend increase, which the company says should be repeated in the second half, the shares managed to close higher on the day despite initial profit-taking. The tax charge, which Cowie has been able to keep low by increasing its fleet of cars, is creeping up; but in the worst case next year it would rise by only 5 percentage points to 25 per cent. For this year, analysts are looking for about £25m pre-tax.

Blanchards resumes and jumps 17p

By Clare Pearson

Yorkshire entrepreneur Mr Melvyn Levi is joining the board of Blanchards, the USM-quoted interior designer and decorator which has been driven further into loss over the last year through a fall-off in business in the Middle East.

Mr Levi has taken a 17 per cent stake in the company by buying 750,000 shares from Sir John Figgis, who plans to retire as chairman in November, and 501,294 shares from Mr Alexander Aldbrook, managing director. Mr Aldbrook has also given a right of pre-emption in favour of Mr Levi on his remaining 1.2m shares.

Blanchard's shares closed 17p higher at 68p yesterday. The company said Mr Levi, who is mainly involved in property development in the north-east, would spearhead a marketing drive into that area.

The shares were restored to trading yesterday afternoon, having been suspended after a 10p rise on Wednesday.

Results for the year to end-June, to be announced in October, will show continued losses in the second half.

Argyle Trust surges to £673,000 at midway

By Nikki Tait

Argyle Trust, the financial services company where Mr Nick Oppenheim is deputy chairman, yesterday announced pre-tax profits up from £475,000 to £673,000 in the six months to the end of June.

Gross income in the period rose from £2.66m to £3.29m, and earnings per share after a £206,000 (£75,000) tax charge increased to 2.18p (1.87p). There is no interim dividend.

Argyle said a £50m revolving credit facility at 1⅛ per cent over LIBOR (London Interbank Offered Rate) was being arranged with a banking syndicate led by Bank of Scotland. This would be used to fund "continuing expansion."

Confusion reigned briefly last autumn when Argyle announced that it was at an advanced stage of discussions with another company, which could have lead to an enhancement of capital resources. The statement was subsequently described as premature.

Yesterday, Argyle said that "in the right circumstances, an involvement with a third party could materially enhance the company's prospects."

"During the latter part of 1987, discussions reached an advanced stage but were discontinued as a result of the unsettled financial market conditions," it continued. "Some stability has now returned and the board will again explore such opportunities."

Cementation-SAUR

Cementation-SAUR Water Services, the Anglo-French joint venture between construction companies Trafalgar House and Bouygues, has increased its stake in Rickmansworth Water Company from 26.18 per cent of the voting capital to 27.72 per cent.

Racal continues to press plans

Racal Electronics yesterday sent another circular to shareholders ahead of the key vote on August 16 over its plans to float off its telecommunications subsidiary, which largely consists of the cellular telephone network, Vodafone.

The plan is opposed by Millicom, a US telecommunications company, which favours a simple demerger of the subsidiary. The Racal circular attacks Millicom's financial record and asks "should not Racal shareholders carefully assess the long-term performance of Racal compared with Millicom in deciding whose advice to follow?". Racal believes that selling off 20 per cent of the telecommunications subsidiary will raise funds for growth areas in the rest of the group, and says its share price and shareholder value have increased significantly because of its flotation proposals.

Millicom has argued that Racal's plans would result in a loss of value to shareholders because of the so-called "double discount" effect. The value of Vodafone would be reduced, Millicom says, because it would be a controlled company and the value of Racal would be reduced because its major asset would be a holding in another quoted company. The Racal circular disputes that such a discount would occur.

Cowan suffers losses of £361,000

In line with the warning in January's interim statement, Cowan, de Groot, toys and giftware importer and manufacturer and electrical and hardware wholesaler, saw the pre-tax profits of £1.43m of 1986-87 decline into a loss of £361,000 for the year to April 30. Turnover also fell from £40.14m to £38.93m.

Losses per 10p share came out at 1.8p (earnings 4.1p) and a reduced final dividend of 0.75p (1.25p) is proposed to make a total of 1.5p (2.5p).

Mr John Carr, group deputy chairman and chief executive, said that all the major changes necessary within the group had been incorporated in the results and that the benefits would materialise in the current year. At April 30 the group's overdraft was down to £5.36m (£8.68m) and the property and training company disposals would further reduce that figure, he said.

Heywood rises 44% and makes Dutch link-up

By Andrew Hill

HEYWOOD WILLIAMS, glass and aluminium specialist, is looking to Europe for further opportunities to expand. The Huddersfield-based group is to link up with a Dutch glass company, Scheuten Beheer, to exploit the continental market.

The UK company is buying 49 per cent of Scheuten, a glass laminating and sealed unit manufacturing company, for Fl 25m (£6.9m). Heywood will also form a new joint company with the Dutch group's proprietor, Mr Jacques Scheuten, who will become its managing director with a 30 per cent holding. The balance of the joint venture's paid-up share capital of Fl 67m will be owned by the UK company.

Heywood already has a substantial share of the British glass merchanting market and could not expand much further without attracting the attention of the Monopolies and Mergers Commission.

Interim pre-tax profits, released yesterday, were up 44 per cent to £13.1m in the six months to June 30, against £9.11m in the equivalent period.

Mr Ralph Hinchliffe, chairman of Heywood, said the company was now putting more emphasis on Europe, although he said problems in the US had been solved. He added that Scheute and Heywood had targetted further acquisitions in France, West Germany, the Netherlands and Scandinavia.

Purchase of the Scheuten stake will be funded principally with cash, but Heywood is also to issue 100,000 new ordinary shares.

Heywood's turnover in the first half rose 23 per cent to £134m (£109m) and earnings per share were up from 12.1p to 14.1p.

Mr Hinchliffe said interim profits growth was founded on a strong first half from the processing side, which produces safety and laminated glass. He said the group would probably look to expand further in these specialist areas.

The company declared an interim dividend of 4p (3.4p).

● COMMENT

Heywood has certainly been one of the more active stocks in its sector, with no fewer than eight acquisitions announced in the last year or so. More are apparently on the way now that Heywood has turned its attention to Europe, sidestepping the limitations which could be imposed by the MMC on further glass merchanting expansion in the UK. Even if interim profits of £1.5m and turnover of £15.7m generated by the last eight additions are stripped out, the group is growing well on the back of strong demand for the added value products – toughened, laminated and silvered glass. The benefits from increased capacity are also beginning to show through and two more toughening plants are due to come on stream in the second half of the year. Forecast pre-tax profits for the year of £30m would put the shares – down 1p at 308p yesterday – on a prospective p/e of about 9.5, in line with comparable building stocks, but still attractive in the longer term.

PWS regroups after abrupt exit of driving force

Nick Bunker reports on the problems at the Lloyd's insurer which led to the resignation of its chief

BARELY six weeks ago, Mr Raanan Gedaliah Ben-Zur was in charming, ebullient, mood as he welcomed a stockbroker's analyst to his office on the City's eastern fringe at PWS Holdings, the Lloyd's insurance broking group. "There was no hint of trouble. He was very positive about the future," says the analyst.

At 8 p.m on Wednesday, following a five-hour board meeting at PWS, his fellow directors accepted his abrupt resignation as chief executive - after he revealed the extent of the damage done by the acquisition of San Francisco-based Glenn, Nyhan and Associates (GNA).

That board meeting marked the end of a meteoric eight-year career in the London insurance market for 34-year-old Mr Ben-Zur. It began in 1980, when he took over from his mother the leadership of Ben-Zur (London), a family firm which broked reinsurance for the Israeli petrochemical industry.

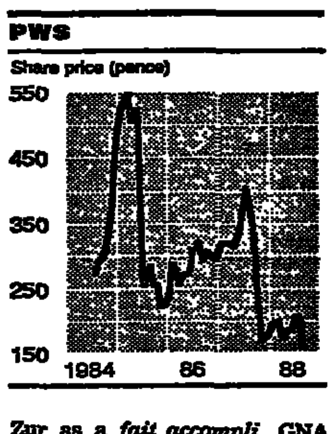
Socially charming, in private he was an abrasive, driven, deal-maker – often deeply unpopular with his subordinates – who set out to create a Lloyd's broking empire. "He was entrepreneurial from day one," says Mr Brian Sounes, a long-standing business associate who yesterday became PWS's acting chief executive.

In 1984, after renaming his company the Howard Group, he took it into the mainstream of the London insurance world through the acquisition of Anthony Popple, a specialist in North American property/casualty insurance. His reputation as a deal-maker was apparently sealed with the reverse takeover in mid-1986 of PWS International, which created a broking group with 1985-86 turnover of £15.5m.

The turning-point came with his audacious – but abortive – bid for C.E. Heath, a long-established Lloyd's rival. It left PWS with a problem: the need to diversify to counter stock market concern that it drew its *income too narrowly from* so-called "big-ticket" Lloyd's broking at a time when the sector's fortunes were turning down.

Two purchases of Lloyd's brokers followed in the next year – Craven Farmer and the HA Group. The first led to personality clashes with Craven Farmer executives, but they were minor compared with the problems with the acquisition this January, for an initial £3m, of San Francisco-based GNA, which specialised in insurance broking and management services to the US medical and dental professions.

The acquisition is understood to have been presented to the PWS board by Mr Ben-Zur as a *fait accompli*. GNA offered the London group a chance to enter a growing market, exploiting the difficulties many high-risk US professions and companies have encountered in the 1980s in buying liability insurance.



Federal laws had widened *the scope for insurance purchasers*, such as doctors or dentists, to band together into self-insurance schemes known as risk retention groups. Yet they needed two things, professional management services, and reinsurance protection.

The latter could be secured from the London market. That would generate commission income for PWS's Lloyd's broking companies, at a time when their profit margins were under pressure.

Raanan Ben-Zur: end of meteoric eight-year career

Before the acquisition GNA already had one big US risk retention group as its client, the National Dental Mutual *Insurance Company. Its figures* were equally impressive, indicating growth in turnover from $318,000 in 1982 to $6.73m in 1986.

In late 1987 it also had another contract apparently in the pipeline: to manage the *Beveridge Retailers Insurance* Company, a risk retention group providing insurance for US liquor stores. An added attraction was that PWS believed that Seagram, the drinks group, would back the venture.

"Just when GNA changed hands, Seagram altered course *and went off with someone* else," said Mr Sounes.

Then, half of GNA's offices were swiftly closed. "It would seem that almost inexplicably people and accounts moved away," says Mr Sounes. Observers in the insurance market believe that the business handled by GNA is now negligible. "It just fell apart," says one.

Some eyebrows should have been raised among analysts, however, by PWS's January 27 offer document for GNA. It revealed that GNA was the guarantor for a $1m loan from Citibank to four of its executives.

And GNA's finances were such that before the acquisition was completed, PWS had agreed to lend it first $500,000 and then up to $2m as working capital.

Where does PWS go now? Yesterday afternoon, Mr Sounes was putting a brave face on the crisis.

Mr Sounes, a 58-year-old broker, argues that since Mr Ben-Zur had little role in day-to-day broking matters, his departure will not damage management severely. PWS's mainstream London operations are in good shape, he argues.

However, two question marks loom over the group. The first concerns its financial condition. Mr Andrew Crean, insurance analyst with CL-Alexanders Laing & Cruick*shank, says that good*will write-offs after the GNA and HA Group acquisitions have already reduced shareholders' funds to about £2.6m, with debt of £8.2m, even before any further damage stemming from the GNA purchase.

Most urgent of all, perhaps, the attitude of the Ben-Zur family, who hold about 43 per cent of the group's shares, could be decisive in determining whether PWS is taken out by a bidder.

Hickson reports 38% first-half advance to £12m

By David Cohen

HICKSON INTERNATIONAL, the chemicals and building protection group recently the subject of takeover speculation, reported pre-tax profits of £12.05m for the six months to June 30 1988, 38 per cent up on the same period last year.

Mr Melvin Hopley, chairman, said all divisions had increased profits and that trading prospects for the year looked good.

"While recent rapid rises in interest and sterling exchange rates give rise to some concern, the effects of a weaker Deutschemark had been mitigated by the group's hedging arrangements," he said.

Earnings per share benefited from a lower tax charge and increased 43 per cent to 9.3p (6.5p), outpacing the 29 per cent rise in turnover to £129.1m (£99.8m). The interim dividend rose 0.625p to 2.25p.

The chemicals division advanced to £7.5m from £5.4m and the timber protection and merchant distributor divisions lifted profits by 131 per cent and 50 per cent respectively.

Allied Commercial Exporters, a property company, and Tatich Finance, a Panamanian company registered in Switzerland, recently built up stakes in Hickson of 8 per cent and 2 per cent, but declared that they were not acting in concert.

The share price recently rose from 180p to 246p, but on yesterday's results it fell back from 238p to 234p.

Egerton expands US activities

EGERTON TRUST, the acquisitive construction and property group, yesterday announced that it is boosting its American aggregates interests with the purchase of a Massachusetts-based company, Direnzo, for $4.76m, writes Nikki Tait. Part of the cash consideration is deferred, and interest payments on this element will add a further $510,000.

This is the second US aggregates acquisition by Egerton this year; in February, it acquired another Massachusetts company, Scavone, for an initial $13.6m.

Direnzo takes in 150 acres – mainly around Sutton and Worcester – which contain an estimated 900,000 tons of recoverable gravel.

Peel improves to £10m and assets rise by 79p

By Paul Cheeseright, Property Correspondent

PRE-TAX PROFITS at Peel Holdings, property development and investment group, rose 37 per cent in the year to last March, and net assets per share rose 30 per cent in value.

But the market yesterday greeted the result, which was broadly in line with the performance of the property sector, with indifference.

Helped by a growing stream of rental revenue from retail warehouse developments, higher rents from established industrial property, trading profits from land sales and a contribution from housebuilding, pre-tax profits in 1987-88 were £10.25m (£8.05m).

But earnings per share fell from 19.49p to 17.84p, reflecting dividends paid to convertible preference shareholders, who previously had waived their rights, and higher tax charges.

The final dividend is 3.5p bringing total payments for the year to 5.25p against 4.75p.

The rise in land values – 35 per cent for that part of the portfolio in the north west – in addition to the continued strength of the retail market and the emerging strength of the industrial market helped to lift the net asset value per share from 265p to 344p.

Strong second half boosts Finlan

A strong second half at Finlan Group, constructor, designer and property developer, resulted in a 58 per cent rise in pre-tax profits for the year to March 31.

The advance from £1.51m to £2.38m was achieved on turnover ahead 35 per cent from £24.92m to £33.58m. Second half profits rose from £897,000 to £1.76m on sales of £20.91m, up from £14.85m.

Several acquisitions were made during the second half, in line with the policy of growth internally and by acquisition. In February UCM Timber, a timber agent, and JC Gilbert, a trader in animal products, were acquired for about £225,000. And in March, Finlan acquired Midtown Properties and certain central London properties from WCRS Group.

The board has recommended an increased final dividend of 2.5p, making a total of 4.5p, against 4p last time. Earnings per 10p share rose from 7.4p to 8.7p.

News Digest

PERSONAL COMPUTERS

£0.75m debt provision hits shares

PERSONAL COMPUTERS, microcomputer services company, yesterday warned of an unexpected £750,000 doubtful debt provision caused by "inadequate internal computer and accounting systems" for the year to May 31 1988, writes David Cohen.

Consequently, pre-tax profits of around £1m were expected, as against analyst expectations of £1.75m.

The share price of the USM-quoted company fell 25p to 250p.

CSL CORPORATION

Profits advance by £251,000

CSL Corporation, USM-quoted truck and trailer hire, commercial vehicle servicing and property group, raised its profits from £474,000 to £725,000 pre-tax for the first half of 1988.

Turnover improved to £3.99m (£2.51m). Earnings amounted to 2.65p (1.88p) per 10p share and the interim dividend is stepped up to 1.2p (1p).

BPP HOLDINGS

Profits more than doubled

BPP Holdings achieved pre-tax profits more than doubled from £300,000 to £670,000 in the six months to the end of June. Similarly, turnover at this provider of academic, vocational and professional education climbed from £1.96m to £4.37m.

At the same time, the company said 252,430 of its ordinary shares had been placed at 325p per share to raise about £806,000.

The interim dividend is 3.4p (2.6p) on earnings of 8.5p (5.9p) per 10p share.

WCP

Recovery in second half

Westminster and Country Properties, property investor and developer, continued its recovery through the second half and for the year to the end of April swung from losses of £993,000 to profits of £1.01m pre-tax.

Earnings per 25p share amounted to 26.4p (losses 30p) and a final dividend of 7p makes an 8.5p (nil) total.

J JARVIS

Rise of 20% to £732,000

J. Jarvis & Sons, building and civil engineering contractor, saw taxable profits rise 20 per cent from £609,000 to £732,000. *Turnover* for the year to the end of March was up at £41.41m, against £35.63m.

Earnings per 5p share were 5.99p (4.8p). In May, Jarvis declared a second interim payment of 1.1p, making a total for the year of 1.6p

YRM

Growth of 37% to over £1.5m

YRM, architect and interior designer, achieved sound overall progress in the year ended April 30 1988.

Profits before tax grew by 37 per cent from £1.53m to £2.1m on turnover of £13.34m, 60 per cent up on last time's £8.34m. Earnings per 10p share came out at 10.75p (9.39p).

YRM, which obtained a stock market listing in April 1987, is proposing a final dividend of 2p, making a total of 3p.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark hits yen low

THE WEST German D-Mark fell to a record low against the Japanese yen yesterday, closing at Y70.74 against Y70.86 at the opening and Y70.85 on Wednesday. The West German unit lost ground as traders moved out of the D-Mark and into the dollar. But there was no similar switch out of the yen into the dollar, as the yen retained its firm undertone.

Most dealers expect the D-Mark to continue to lose ground against the yen in the medium term. Yesterday's decline failed to attract any intervention by central banks, but investors were still reluctant to open fresh positions, with trading volume restricted by the absence of many major players.

For the time being, investors are unlikely to try to break below major chart points, for fear of attracting central banks back into the market. The relatively low volume means that official intervention could command a significant influence on exchange rates.

So for the time being, the psychologically important Y70.0 level seems likely to remain intact, with any further advance by the yen likely to be slowed by profit taking around the Y70.50 level.

The current uncertainty about the D-Mark was reflected in the strength of Euro-D-Mark rates, which remained firm in the six to 12-month range, while corresponding domestic rates were slightly lower. On the plus side, the D-Mark bulls were encouraged by the lack of central bank intervention. Some suggested that the authorities now have greater confidence in the D-Mark, given the recent rise in West German interest rates.

The US dollar was boosted by expectations that today's release of US employment figures for July will build on recent evidence that the US economy is growing at a fast enough rate to prompt a rise in US interest rates. This was sufficient to push the level of the dollar towards its best level of the day at the close. However there was still insufficient impetus to establish the dollar above the DM1.88 level, but the absence of central bank intervention left the US unit at DM1.8800 at the close up from DM1.8750 on Wednesday. It was also higher against the yen at Y133.00 from Y132.85. Elsewhere it finished at SFr1.5685 from SFr1.5620 and FFr6.3400 from FFr6.3225. On Bank of England figures, the dollar's exchange rate index rose to 96.7 from 96.6.

Sterling finished little changed from its opening level. Investors were united in refraining from taking out fresh positions in the absence of any economic data, or a similar lead from the authorities.

The pound's exchange rate index closed at 76.6, unchanged from the opening and compared with 76.5 at the close on Wednesday. Sterling was unchanged against the dollar at $1.7100, but rose against the D-Mark to DM3.2150 from DM3.2075. It was also firmer against the yen at Y227.50 from Y227.25. Elsewhere it finished at SFr2.6825 from SFr2.6700 and FFr10.84 compared with FFr10.8125.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug.4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6470	+2.80	+1.08	±1.5344
Danish Krone	7.85212	7.92664	+0.95	-0.77	±1.5404
German D-Mark	2.05853	2.08561	+1.32	-0.40	±1.0981
French Franc	6.90403	7.03131	+1.84	+0.12	±1.3674
Dutch Guilder	2.31943	2.35427	+1.50	-0.22	±1.5012
Irish Punt	0.768411	0.774526	+0.80	-0.92	±1.6684
Italian Lira	1483.58	1537.93	+3.66	+2.61	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Aug.4	Latest	Previous Close
£ Spot	1.7060-1.7070	1.7095-1.7105
1 month	0.35-0.34pm	0.37-0.35pm
3 months	1.07-1.04pm	1.05-1.02pm
12 months	3.39-3.29pm	3.35-3.25pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug.4	Previous
8.30 am	76.6	76.3
9.00 am	76.6	76.3
10.00 am	76.6	76.3
11.00 am	76.6	76.3
Noon	76.6	76.4
1.00 pm	76.5	76.4
2.00 pm	76.6	76.4
3.00 pm	76.6	76.6
4.00 pm	76.6	76.5

CURRENCY RATES

Aug.4	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.760539	0.649167
U.S Dollar	6	1.29710	1.10878
Canadian $	8.75	1.55963	1.33630
Austrian Sch.	3½	17.0919	14.6469
Belgian Franc	7	50.9571	43.6470
Danish Krone	7½	9.25351	7.92664
Deutsche Mark	3	2.43505	2.08561
Neth. Guilder	4	2.74596	2.35427
French Franc	9½	8.20482	7.03131
Italian Lira	12½	1796.26	1538.59
Japanese Yen	2½	172.385	147.467
Norway Krone	8	8.82871	7.55132
Spanish Peseta	-	160.048	137.111
Swedish Krona	8½	8.36111	7.14274
Swiss Franc	2½	[illegible]	1.74078
Greek Drach.	20½	195.136	166.971
Irish Punt	-	0.904407	0.774772

*All SDR rates are for Aug.3

CURRENCY MOVEMENTS

Aug.4	Bank of England Index	Morgan** Guaranty Changes %
Sterling	76.6	-15.7
U.S Dollar	98.7	-9.6
Canadian Dollar	85.7	-1.4
Austrian Schilling	133.2	+9.6
Belgian Franc	97.4	-4.2
Danish Krone	89.0	+0.5
Deutsche Mark	142.9	+20.1
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

Aug.4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7045-1.7150	1.7095-1.7105	0.35-0.32cpm	2.35	1.05-1.00pm	2.40
Canada	2.0565-2.0625	2.0590-2.0600	0.22-0.14cpm	1.00	0.62-0.50pm	1.09
Netherlands	3.62¼-3.63½	3.62½-3.63½	1⅝-1½cpm	5.17	4⅞-4⅝pm	5.30
Belgium	67.05-67.50	67.25-67.35	22-17cpm	3.46	63-58pm	3.60
Denmark	12.17-12.22½	12.21¼-12.22¼	2⅞-2⅜orepm	-2.41	7½-6¼pm	2.27
Ireland	1.1890-1.1960	1.1935-1.1945	0.32-0.27ppm	2.96	1.08-0.88pm	3.28
W. Germany	3.20¾-3.21¾	3.21¼-3.21¼	1½-1⅜pfpm	5.37	4½-4¼pm	5.44
Portugal	259.20-260.75	259.65-260.65	51-88cdis	-3.21	125-216dis	-2.62
Spain	210.85-211.75	211.00-211.30	8pm-3cdis	0.14	24-11pm	0.33
Italy	2367½-2372¼	2371½-2372½	1pm-1liredis	-	par-1dis	-0.08
Norway	11.61¾-11.64¼	11.62¼-11.63¼	2⅝-2⅞oredis	-2.45	6⅝-7¼dis	-2.39
France	10.82-10.84½	10.83½-10.84½	3-2¾cpm	3.18	8¾-8⅜pm	3.16
Sweden	11.00¼-11.02¼	11.00¼-11.01¼	¼pm-¼oredis	-0.07	¼-¼pm	0.16
Japan	227-228	227-228	1¼-1⅛ypm	6.26	3⅜-3pm	5.71
Austria	22.52-22.58	22.54-22.57	9½-8½gropm	4.59	29½-25⅞pm	4.89
Switzerland	2.67½-2.68½	2.67¾-2.68¾	1⅝-1½cpm	7.27	4¾-4½pm	6.90

Belgian rate is convertible francs. Financial franc 68.00-68.10. Six-month forward dollar 1.90-1.86cpm 12 months 3.33-3.23cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Aug.4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7045-1.7150	1.7095-1.7105	0.35-0.32cpm	2.35	1.05-1.00pm	2.40
Ireland†	1.4280-1.4365	1.4315-1.4325	0.11-0.16cdis	-1.13	0.37-0.47dis	-1.18
Canada	1.2010-1.2065	1.2045-1.2055	0.12-0.14cdis	-1.29	0.38-0.41dis	-1.31
Netherlands	2.1120-2.1260	2.1220-2.1230	0.52-0.50cpm	2.88	1.59-1.56pm	2.97
Belgium	39.10-39.40	39.30-39.40	5.25-4.25cpm	1.45	13.50-11.50pm	1.27
Denmark	7.10¾-7.15¾	7.14¾-7.14¾	0.30d-0.10orepm	-0.17	0.40d-0.10orpm	-0.08
W. Germany	1.8700-1.8830	1.8795-1.8805	0.51-0.48pfpm	3.16	1.51-1.46pm	3.16
Portugal	152-153	152¼-152½	48-68cdis	-4.56	155-210dis	4.78
Spain	123.00-123.80	123.45-123.55	20-30cdis	2.43	60-70dis	2.10
Italy	1380-1388¼	1386¼-1387¼	2.80-2.70liredis	-2.03	8.00-9.00dis	-2.45
Norway	6.78¾-6.81¼	6.79¾-6.80¼	2.65-2.80oredis	-4.80	7.90-8.10dis	-4.70
France	6.31-6.34¾	6.33¾-6.34¾	0.55-0.45cpm	0.95	1.50-1.30pm	0.88
Sweden	6.42¾-6.44¾	6.43½-6.44	1.25-1.35oredis	-2.42	3.50-3.70dis	-2.23
Japan	132.65-133.10	132.95-133.05	0.44-0.41ypm	3.83	1.25-1.20pm	3.68
Austria	13.14¾-13.22	13.20½-13.21	2.70-2.40gropm	2.32	8.50-7.50pm	2.42
Switzerland	1.5600-1.5720	1.5680-1.5690	0.67-0.63cpm	4.97	1.83-1.78pm	4.59

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.75-39.85.

EURO-CURRENCY INTEREST RATES

Aug.4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10¼-10⅛	10⅛-10	10⅞-10¾	10⅞-10¾	10⅞-10¾	11⅛-10⅞
US Dollar	7⅝-7½	7⅞-7¾	8-7⅞	8¼-8⅛	8⅝-8½	8⅞-8¾
Can. Dollar	8¾-8⅝	8¾-8⅝	9⅛-8⅞	9⅝-9½	10⅛-9⅞	10⅜-10¼
D. Guilder	5¼-4⅞	5¼-4⅞	5¼-5	5⅝-5¼	5¾-5⅝	5⅞-5⅝
Sw. Franc	2-1¾	2⅝-2½	3⅝-3½	3¾-3⅝	4⅛-3⅞	4⅜-4¼
Deutschmark	4⅞-4⅝	4⅞-4¾	4⅞-4⅝	5⅛-5	5⅝-5½	5⅞-5⅝
Fr. Franc	7-6¾	7-6¾	7⅛-7	7⅝-7¼	7⅞-7⅝	8-7⅞
Italian Lire	11-9	10½-9½	10½-10	11-10½	11⅝-11	11½-11¼
B. Fr. (Fin)	6-5⅞	6¼-6⅛	6⅞-6⅝	7⅛-7¼	7½-7⅜	7⅝-7¼
B. Fr. (Con.)	6-5½	6⅞-5⅞	6⅞-6½	7¼-6⅞	7⅝-7¼	7⅝-7¼
Yen	4¼-4⅛	4⅛-4⅛	4⅛-4⅛	4¾-4⅝	4⅞-4⅞	4⅞-4¾
D. Krone	8¾-8⅝	8¼-8	8⅛-8	8½-8¼	8¾-8⅝	9-8¾
Asian $Sing	7⅞-7¾	7⅞-7⅞	8⅛-7⅞	8⅛-8⅛	8¼-8⅛	8⅞-8⅞

Long term Eurodollars: two years 8¾-8⅝ per cent; three years 8⅞-8⅞ per cent; four years 9½-9⅛ per cent; five years 9⅝-9½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Aug.4	£	$	DM	Yen	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1	1.710	3.215	227.5	10.84	2.683	3.630	2372	2.060	67.30
$	0.585	1	1.880	133.0	6.339	1.569	2.123	1387	1.205	39.36
DM	0.311	0.532	1	70.76	3.372	0.835	1.129	737.8	0.641	20.93
YEN	4.396	7.516	14.13	1000.	47.65	11.79	15.96	10426	9.055	295.8
F Fr.	0.923	1.577	2.966	209.9	10.	2.475	3.349	2188	1.900	62.08
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts and bonds firm

INTEREST RATE instruments had a firmer tone on the Liffe market yesterday, and turnover in long gilt futures reached 20,000 contracts for the first time this week.

Gilts were support by technical factors, and the strength of the pound on the foreign exchanges. The absence of fresh economic news kept the market generally dull, and much of yesterday's rise was probably the result of short covering.

September long gilts opened unchanged at 95-07 on Liffe, the day's low, and closed at 95-19, after touching a high of 95-23.

Liffe suffered a quiet month in July. Total volume was 1.21m lots, down 20.7 p.c. from June, but open interest was a record 238,904 lots at the end of the month, with short sterling and long gilts setting records for open interest.

US Treasury bond futures were supported yesterday by a large increase in first time jobless claims. This cast doubt on the strength of US employment growth, and led to suggestions that today's figure on July non-farm payrolls could be lower than forecast.

September US bonds opened at 87-10 on Liffe, and rose to a peak of 88-00, before closing at 87-22, against 87-12 previously.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT

[illegible]

7-10 YEAR 9% NOTIONAL GILT

[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

[illegible]

THREE MONTH STERLING

[illegible]

FT-SE 100 INDEX

[illegible]

THREE MONTH EURODOLLAR

[illegible]

US TREASURY BONDS 8%

[illegible]

CURRENCY FUTURES

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

[illegible]

JAPANESE YEN (IMM)

[illegible]

DEUTSCHE MARK (IMM)

[illegible]

U.S. TREASURY BILLS (IMM)

[illegible]

THREE-MONTH EURODOLLAR (IMM)

[illegible]

SWISS FRANC (IMM)

[illegible]

STANDARD & POORS 500 INDEX

[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Vol	Last	Vol	Last	Vol	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PHILIPS C	Fl. 35	1029	1.10	134	2.30	55	3	Fl. 32.80
PHILIPS P	Fl. 35	552	3.10	18	4.10	-	-	Fl. 32.80
ROYAL DUTCH C	Fl. 240	1160	8.70	96	12.80	10	16.20	Fl. 242.70
ROYAL DUTCH P	Fl. 220	396	1.80	100	3.90	-	-	Fl. 242.70
UNILEVER C	Fl. 120	651	5	172	7.50	-	-	Fl. 118.10
UNILEVER P	Fl. 110	447	1.80 B	13	4.70	3	6.50	Fl. 118.10
WESSANEN C	Fl. 85	173	2.10	9	3.50	3	4.60 B	Fl. 81.50

TOTAL VOLUME IN CONTRACTS : 42,797

A = Ask B = Bid C = Call P = Put

BASE LENDING RATES

	%		%		%
ABN Bank	10½	City Merchants Bank	10½	NatWestminster	10½
Adam & Company	10½	Clydesdale Bank	10½	Northern Bank Ltd	10½
AAB - Allied Arab Bk	10½	Comm. Bk. N. East	10½	Norwich Gen. Trust	10½
Allied Irish Bank	10½	Co-operative Bank	*10½	PRIVATbanken Limited	10½
Henry Ansbacher	10½	Coutts & Co	10½	Provincial Bank PLC	11½
ANZ Banking Group	10½	Cyprus Popular Bk	10½	R. Raphael & Sons	10½
Associates Cap Corp	10	Dunbar Bank PLC	10½	Roxburghe G'rantee	11
Authority Bank	10½	Duncan Lawrie	10½	Royal Bk. of Scotland	10½
B & C Merchant Bank	10½	Equatorial Bank plc	10½	Royal Trust Bank	10½
Banco de Bilbao	10½	Exeter Trust Ltd	11	Smith & Williamson Secs.	10½
Bank Hapoalim	10½	Financial & Gen. Sec	10½	Standard Chartered	10½
Bank Leumi (UK)	10½	First National Bank Plc.	11½	TSB	10½
Bank Credit & Comm	10½	● Robert Fleming & Co.	10½	UDT Mortgage Exp	‡11.45
Bank of Cyprus	10½	Robert Fraser & Ptnrs.	11½	United Bk of Kuwait	10½
Bank of Ireland	10½	Girobank	10½	United Mizrahi Bank	10½
Bank of India	10½	Grindlays Bank	10½	Unity Trust Bank Plc	10½
Bank of Scotland	10½	● Guinness Mahon	11	Western Trust	10½
Banque Belge Ltd	10½	HFC Bank plc	10½	Westpac Bank Corp.	10½
Barclays Bank	10½	● Hambros Bank	10½	Whiteaway Laidlaw	11
Benchmark Bank PLC	10½	Heritable & Gen Inv Bk	10½	Yorkshire Bank	10½
Berliner Bank AG	10½	● Hill Samuel	§10½		
Brit Bk of Mid East	10½	C. Hoare & Co.	10½		
● Brown Shipley	10½	Hongkong & Shangh	10½		
Business Mtge Tst	11	● Leopold Joseph & Sons	10½		
CL Bank Nederland	10½	Lloyds Bank	10½		
Central Capital	10½	Meghraj Bank Ltd	10½		
● Charterhouse Bank	10½	Midland Bank	10½		
Citibank NA	10½	Mount Banking Corp.	10½		
		Nat Bk. of Kuwait	10½		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 4.38% Savewise 7.16%. Top Tier-£10,000+ instant access 9.0% ‡ Mortgage base rate. § Demand deposit 5½%. Mortgage 10.875% - 11.25%

MONEY MARKETS

UK rates ease on firm pound

THIS IS not a time when the financial markets in London are looking for any spectacular movement in interest rates, following the rise of 3 percentage points in UK bank base rates since the beginning of June.

The market in London has drifted into a holiday mood, which is only likely to be broken by surprising UK bank lending figures for July on August 18, or trade data for the same month on August 25.

Sterling remains firm, at $1.71 and DM3.2150, and this contributed to the slight decline in money market rates.

UK clearing bank base lending rate 10½ per cent from July 18

Three-month interbank eased to 10¾-10⅝ p.c. from 10⅞-10¾ p.c.

The Bank of England initially forecast a money market shortage of £300m, but revised this to £200m at noon, and to £250m in the afternoon. Total help of £244m was provided.

Before lunch the authorities bought £163m bills outright, by way of £13m Treasury bills in band 1 at 10½ p.c.; £138m bank bills in band 1 at 10½ p.c.; and £12m bank bills in band 4 at 10½ p.c.

In the afternoon the Bank of England bought another £81m bills outright, through £50m bank bills in band 1 at 10½ p.c., and £31m bank bills in band 4 at 10½ p.c.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £77m, with Exchequer transactions absorbing £175m, and a rise in the note circulation £50m. These outweigh bank balances above target of £25m.

In Amsterdam the Dutch Central Bank raised the rate on special advances to 5.0 p.c. from 4.8 p.c., for five-day paper. The market expected the rise, and regarded it as preserving the interest rate differential between West German and Dutch rates. It was viewed as a move to support the guilder against the D-Mark within the European Monetary System.

In Frankfurt call money was steady at 4.90 p.c., in tight conditions. The allocation at this week's securities repurchase agreement tender was reasonably generous and is expected to offset money draining from the banking system through an export pact, and central bank support for the D-Mark on the foreign exchanges.

But at the moment banks are stocking up with money to meet payment next week for a Federal Government bond, and this helped keep interest rates firm yesterday.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.4) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8⅝	offer 8¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9½
Broker loan rate	8¾
Fed funds	7⅞-8
Fed funds at intervention	-

Treasury Bills and Bonds

One month	6.37	Three year	8.45
Two month	6.64	Four year	8.55
Three month	7.09	Five year	8.64
Six month	7.45	Seven year	8.87
One year	7.83	10-year	9.01
Two year	8.32	30-year	9.05

Aug.4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.85-4.95	5.00-5.15	5.05-5.20	5.10-5.25	5.30-5.50	5.00
Paris	7-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7¼	6.75
Zurich	1⅞-1⅞	3-3¼	-	3½-3⅜	-	-
Amsterdam	5-5¼	5⅛-5⅛	-	5⅛-5⅛	-	-
Tokyo	3.78125	4.03125	-	-	-	-
Milan	10-10½	10⅝-11¼	-	11-11½	-	-
Brussels	7.20	6⅞-6⅞	-	7-7⅛	-	-
Dublin	7⅛-7⅞	7⅛-7⅛	7⅛-7½	7⅞-7⅛	8½-8¾	-

LONDON MONEY RATES

Aug.4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11½	10⅛	10⅛	10⅞	11	11⅛
Interbank Bid	7	9¾	10⅛	10⅞	10⅞	10⅞
Sterling CDs	-	-	10⅛	10¾	10⅞	10⅞
Local Authority Deps.	10	9¾	10⅛	10⅞	10⅞	10⅞
Local Authority Bonds	-	-	10⅜	11⅛	11½	11⅝
Discount Mkt. Deps.	10½	9⅞	10	10⅛	-	-
Company Deposits	-	-	10⅛	10⅞	10⅞	11
Finance House Deposits	-	-	10⅜	10⅞	10⅞	11
Treasury Bills (Buy)	-	-	10⅛	10⅛	-	-
Bank Bills (Buy)	-	-	10⅛	10⅞	10⅞	-
Fine Trade Bills (Buy)	-	-	10⅞	11⅛	11⅛	-
Dollar CDs	-	-	8.00-7.95	8.20-8.15	8.45-8.40	-
SDR Linked Dep Offer	-	-	6⅞	7⅛	7⅛	7½
SDR Linked Dep Bid	-	-	6⅝	6⅞	7⅛	7¼
ECU Linked Dep Offer	-	-	6⅞	7¼	7⅞	7⅞
ECU Linked Dep Bid	-	-	6⅞	7⅛	7⅛	7⅞

Treasury Bills (sell); one-month 10 per cent; three months 10⅛ per cent; Bank Bills (sell): one-month 10⅜ per cent; three months 10⅝ per cent; Treasury Bills; Average tender rate of discount 10.2638 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 29, 1988. Agreed rates for period August 24, 1988 to September 25, 1988, Scheme I: 11.49 p.c., Schemes II & III: 11.86 p.c., Reference rate for period July 1, 1988 to July 29, 1988, Scheme IV&V: 10.511 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 from August 1, 1988: Bank Deposit Rates for sums at seven days notice 3.25 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5, 1988, Deposits withdrawn for cash 5 per cent.

FT UNIT TRUST INFORMATION SERVICE

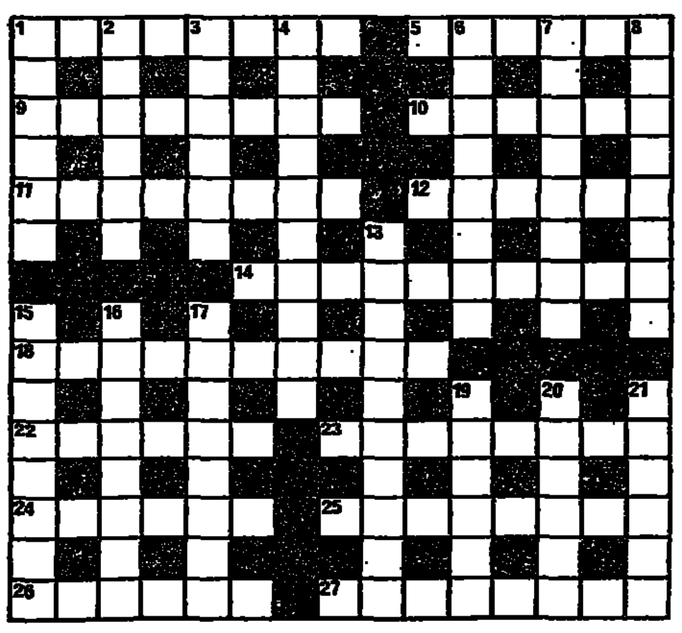
AUTHORISED UNIT TRUSTS

[illegible]

JOTTER PAD

CROSSWORD

No. 6,700 Set by DINMUTZ



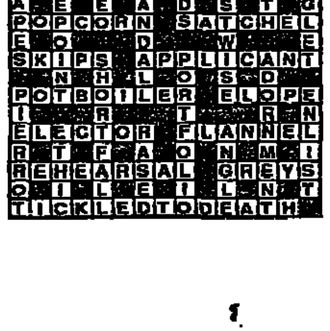
ACROSS

1 Cheerless county players (8)
5 Moll at Clydeside, say (6)
9 Principal *rope is tarry on* the high seas (8)
10 Blimey! Catch one being blown in the wind.... (6)
11 ....and that a Neapolitan, sometimes! (3-5)
12 Injury from wild she-cat (6)
14 Atom-smashing field character (10)
18 Going over cliff, one is powerless (4-6)
22 Tom pinch this plant? (6)
23 Bond-agent? (8)
24 Lives for six-set development (6)
25 Urge factory to produce brinjal (8-5)
26 How sweet and kind of Daddy, giving you a start (6)
27 Bank licence about to run out (8)

DOWN

1 Matricidal-sounding kingdom (6)
2 France, for example, holding ceremony in western region (6)
3 Sailors carrying piece of luggage for soldiers' billet (6)
4 Francis Drake, for example, could be anapaestic (3-7)
6 Means to explore the labyrinth (8)
7 Score one short (8)
8 *Poles apart?* (8)
13 Foreigner, perhaps, under F in this index (10)
15 Draughts in American supermarkets? (8)
16 What can happen in a capital night out? (8)
17 Silver refuse sparkling (8)
19 Ran off after Constable, for *instance, being roughly* treated (6)
20 Motorway madness an illusion? (6)
21 Become a bird and run off hurriedly (4,2)

Solution to Puzzle No.6,699



GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	5	100.39	100.39	106.64	-0.18	1.78
Do Accum	5	107.87	107.87	114.59	-0.19	1.78
TSB Brit Growth	5	55.81	55.81	59.37	+0.14	2.84
Do Accum	5	57.62	57.62	61.30	+0.15	2.84
TSB European	5	49.07	49.07	52.38	-0.08	1.23
Do Accum	5	50.41	50.41	53.82	-0.08	1.23
TSB Extra Income	5	150.73	150.73	160.35	+0.43	5.79
Do Accum	5	189.71	189.71	201.82	+0.79	5.79
TSB Smaller Cos	5	55.64	57.34	61.00	+0.27	1.12
Do Accum	5	56.20	57.92	61.62	+0.27	1.12
TSB General	5	179.33	179.87	191.30	+0.40	3.16
Do Accum	5	310.35	311.26	331.07	+0.67	3.16
TSB Gilt & Fxd Int	3¼	47.45	47.45	49.07	+0.19	8.80
Do Accum	3¼	71.64	71.64	74.10	+0.28	8.80
TSB Income	5	266.48	267.85	284.89	-0.01	4.62
Do Accum	5	445.74	447.48	476.20	-0.02	4.62
TSB Pacific	5	213.10	214.24	227.91	-2.48	0.31
Do Accum	5	221.56	222.74	236.96	-2.57	0.31
TSB International	5	328.71	329.82	350.87	-2.15	0.93
Do Accum	5	413.48	414.88	441.36	-2.70	0.93
TSB Nat Resources	5	63.76	64.16	68.25	-0.08	1.36
Do Accum	5	67.01	67.44	71.74	-0.08	1.36
TSB Sictd Opps	5	83.00	83.00	88.30	+0.34	2.26
Do Accum	5	93.55	93.55	99.52	+0.38	2.26

3i Unit Trust Managers Ltd (1000)F
31 Homer Rd, Solihull, B91 3QA 01-928 3356

Small Co's	5	50.85	50.85	53.67	—	0.00

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 01-379 0860

American Eagle	5	64.87	64.87xd	69.44	+0.14	0.86
Australia	5	8.156	8.160	8.640	-0.09	0.10
Commodity	5	82.10	82.10	88.49	+0.55	0.56
Convertible	5	148.6	148.6xd	160.1	-0.2	4.78
Equity	5	151.7	151.7xd	163.0	+0.9	3.20
Euro Spec Sits	5	78.65	78.65	84.73	+0.01	1.61
Financial	5	31.97	32.49	34.94	+0.16	2.95
Global Opps Inc	5	58.08	58.36	62.91	+0.27	0.59
Global Opps Acc	5	58.08	58.36	62.91	+0.27	0.59
Gold Income	5	55.29	55.29	59.32	-0.04	0.00

MIM Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd Pens (Acc)	54.9	58.5	-0.2	0.80

Murray Johnstone UT Mngmt
Murray Exempt Funds

Amer Expt Aug 3	40.1	41.7xd	—	2.34
Euro Expt Aug 3	39.4	41.3xd	—	2.27
Fixed Int Ex Aug 3	48.5	50.8	—	9.54
Japan Expt Aug 3	54.0	56.1	—	0.8
Managed Ex Aug 4	40.2	41.8	—	4.23
SE Asia Expt Aug 3	39.7	41.6	—	1.95
Sm Cos Expt Aug 3	45.0	47.2	—	2.48
UK Eqty Ex Aug 3	36.9	38.7xd	—	3.72

New Court Property Fund Managers

NC Property	189.5	199.5	—	—

Phillips & Drew Fund Management Ltd

PDFM Small Co Fd	812.0	862.0	—	3.50
Do Accum	838.0	890.0	—	3.50
PDFM Int Expt Aug 4	125.8	127.8xd	+4.2	2.70

J. Rothschild Fund Managers Ltd

Intl Exempt	93.19	94.40	—	3.00

INSURANCES

AA Friendly Society
Investment Mngt. M & G Inv Mngt Ltd

AA Friendly Sy July 8	—	141.4	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	251.0	264.3	—	—
Equity Ser. 1	127.0	123.2	+0.2	—
Prop. Acc. Ser 2	363.4	382.6	—	—
Equity Ser 2	132.9	139.9	+0.3	—
Selective Acc.	290.2	305.5	+0.4	—

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	+ or -	Yield Gross
Phoenix Assurance Co Ltd				
Phoenix House, Redcliff Hill, Bristol 0272 294941				
Life Assurance Funds				
Wealth Assd	394.1	415.0	......	–
Eb'r Ph. Eq.	347.0	369.3	......	–
Pension Plan Funds				
Phoenix				
UK Equity Acc	174.6	183.7	+0.7	–
International Acc	142.5	149.9	-0.2	–
Property Acc	142.0	149.4	......	–
Fixed Interest Acc	155.9	164.1	+0.5	–
Money Acc	142.1	149.5	......	–
Bldg. Soc. Link Acc.	139.0	146.3	......	–
Special Mngd Acc.0.	155.4	163.5	+0.4	–
Phoenix/Framlington				
Intnl. Growth Acc	91.30	96.10	-0.10	–
Am Smllr. Cos. Acc	88.80	93.40	-0.30	–
Capital Tst. Acc	180.6	190.1	+0.3	–
Japan & Gen Acc	197.5	237.8	-1.8	–
American Turn Acc	95.60	101.6	......	–
Recovery Tst. Acc	187.2	197.0	+0.6	–
Special Mngd Acc	153.3	161.3	+0.3	–
Phoenix/GT				
International Acc	135.8	142.9	-0.4	–
US & General Acc	90.60	95.30	+0.10	–
Amer Smr Sits Acc	68.20	71.70	-0.70	–
Japan & General Acc	194.7	204.9	-2.0	–
Far East & Gen. Acc	145.1	152.7	-0.7	–
UK Capital Acc	184.8	194.5	+0.6	–
European Acc	144.5	152.1	-6.3	–
Special Mngd. Acc	132.2	139.1	+0.1	–
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd, N Waterloo, Liverpool 051-928 6655				
Managed Fund	269.7	283.9	......	–
Man Pen, Inc & Cap Fds	345.7	363.9	......	–
Money Fund	113.4	119.4	......	–
Pens. Mngd Fd (Init)	92.3	97.2	......	–
Pens Mngd Fd (Acc)	106.4	112.0	......	–
Pens FT30 Fd (Init)	129.5	136.4	......	–
Pens FT30 Fd (Acc)	149.2	157.1	......	–
Pens O'seas MgFd(Init)	61.4	64.7	......	–
Pens O'seas MgFd(Acc)	70.7	74.5	......	–
Pens Fxd Int Fd (Init)	107.5	113.2	......	–
Pens Fxd Int Fd (Acc)	123.8	130.4	......	–
Pens Deposit Fd (Init)	101.6	107.0	......	–
Pens Deposit Fd (Acc)	117.1	123.3	......	–
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	100.0	106.0	+1.0	–
Building Soc. Fd	162.0	171.0	......	–
Balanced	248.0	262.0	......	–
Deposit	162.0	171.0	......	–
European	127.0	134.0	......	–
GT Managed	155.0	164.0	......	–
Gartmore Mngd	103.0	109.0	......	–
German	91.0	96.0	......	–
Gilt	168.0	177.0	+1.0	–
High Inc	111.0	117.0	......	–
International Equity	158.0	167.0	......	–
Japan	222.0	234.0	......	–
Managed	55.0	58.0	......	–
Property	261.0	275.0	......	–
R. W. Imperial Gold	129.0	136.0	......	–
UK Equity	332.0	350.0	-1.0	–
Pension Funds				
American	125.0	132.0	......	–
Building Soc. Fd	154.0	163.0	......	–
Balanced	187.0	197.0	......	–
Deposit	152.0	160.0	......	–
European	123.0	130.0	......	–
GT Managed	161.0	170.0	......	–
Gartmore Mngd	99.0	105.0	......	–
German	87.0	92.0	......	–
Gilt	140.0	148.0	......	–
International Equity	116.0	123.0	......	–
Japan	130.0	137.0	......	–
Managed	56.0	59.0	......	–
Property	199.0	210.0	......	–
UK Equity	278.1	296.0	......	–
Prolific Life & Pensions Ltd (z)				
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733				
Balanced Gwth Mngd	524.7	553.0	+0.1	–
Adventurous Mngd	100.5	106.0	+1.1	–
Secure Mngd	98.1	103.4	+0.0	–
Cash Fd	218.5	230.3	......	–
Property Fund	261.7	275.8	+0.0	–
[illegible]				

	Bid Price	Offer Price	+ or -	Yield Gross
Provident Mutual Life Assc. Assn.				
William Rd, Hitchin, Herts SG4 0LP 0438 739009				
Managed Ord	292.8	308.2	+1.5	–
Managed Init	242.1	254.8	+1.1	–
Equity Ord	421.3	443.5	+3.5	–
Equity Init	348.3	366.6	+2.7	–
Index Linked Gilt Ord	123.0	129.5	–	–
Index Linked Gilt Init	106.2	111.8	-0.1	–
Overseas Equity Ord	259.7	273.4	+0.1	–
Overseas Equity Init	214.7	226.0	–	–
Property Ord	168.3	177.2	–	–
Property Init	139.2	146.5	–	–
Fixed Interest Ord	170.0	178.9	+0.7	–
Fixed Interest Init	140.6	148.0	+0.6	–
Deposit Ord	134.9	142.0	+0.1	–
Deposit Init	111.5	117.4	–	–
Pension Funds				
Managed Ord	355.2	373.9	+2.2	–
Managed Init	293.7	309.2	+1.7	–
Equity Ord	532.6	560.6	+5	–
Equity Init	440.4	463.6	+4.1	–
Pen Ind Lkd Gilt Ord	132.4	139.4	-0.1	–
Pen Ind Lkd Gilt Init	114.4	120.4	–	–
Overseas Equity Ord	294.9	310.4	+0.1	–
Overseas Equity Init	243.9	256.7	+0.1	–
Property Ord	196.1	206.4	–	–
Property Init	162.2	170.7	–	–
Fixed Interest Ord	192.2	202.3	+0.9	–
Fixed Interest Init	158.9	167.3	+0.8	–
Deposit Ord	167.8	176.6	–	–
Deposit Init	138.8	146.1	–	–

For Provincial Life Ass Co Ltd see Prolific Life & Pensions Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 01-405 9222				
Prufund				
Managed Aug 3	209.0	217.8	......	–
Prudential Holborn Life Ltd				
30 Old Burlington St, London W1X 1LB 01-439 3134				
Managed Fd	445.5	469.0	+0.8	–
Equity Fd	902.0	949.5	+3.7	–
Intnl. Fd	308.5	324.8	-1.4	–
Fixed Int. Fd	362.9	382.1	+0.5	–
Prop Fd	340.0	357.9	-0.3	–
Cash Fd	238.7	251.3	(z)	–
Pacific Basin Fd	178.5	187.9	-1.6	–
North American Fd	124.8	131.4	(z)	–
European Fd	126.2	132.9	-0.4	–
Holborn Balanced Gwth Fd	103.9	109.4	-0.1	–
Holborn Strategic Gwth Fd	103.0	108.5	+0.1	–
Prudential Holborn Pensions Ltd				
30 Old Burlington St, London W1X 1LB 01-439 3134				
Managed	483.4	508.9	+1.0	–
Equity	695.9	732.6	+3.0	–
Global Equity	199.3	209.8	-0.5	–
Fixed Interest	377.5	397.4	+0.5	–
Property	336.5	354.3	+0.2	–
Cash	142.3	149.8	......	–
Index Linked Gilt	170.7	179.7	+0.1	–
Guaranteed	10.25	11.00	......	–
International Money	185.7	195.5	+0.3	–
North American Fd	56.8	59.8	+0.4	–
Japanese Fund	125.4	132.0	-1.3	–
European Fund	71.3	75.1	+0.3	–
Special Situations Fd	106.2	111.8	+1.4	–
Communications Fund	85.2	89.7	+0.3	–
Smaller Cos Fund	101.4	106.8	-0.1	–
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-405 9222				
Discretry Aug 4	£129.90	133.69	+0.65	–
Equity Fund Aug 4	£142.42	146.75	+1.10	–
Intnl Fund Aug 4	£21.09	21.80	+0.59	–
Intl Bond Fd Aug 4	£10.60	10.74	-0.10	–
Fixed Int Aug 4	£68.15	69.03	+0.18	–
Index Linked Aug 4	£53.52	54.19	+0.46	–
Property Fund Aug 4	£89.61	94.68	+0.55	–
Cash Fund Aug 4	£18.9064	18.9064	+0.0290	–
Pru-Linked Retirement Plan				
Managed Fd Aug 3	329.2	343.0	......	–
Cash Fund Aug 3	178.4	185.9	......	–
Prudential Pensions Investment Account				
Pens Man Fd Aug 4	135.3	142.5	+0.3	–
Pens UK Eq Fd Aug 4	252.1	265.4	+0.3	–
[illegible]				

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

UK LISTED

[illegible]

OFFSHORE INSURANCES

[illegible]

حكمة ابن الأصل

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99¼	83½	Redemption 3pc 1986-96	99¼	......	3.02	7.49
100¼	99	Treas. 9½pc '88	99	......	9.52	10.18
102	100	Treas 11½pc 1989	100	......	11.43	10.21
101	99	Treas 9½pc Cnv 1989	99	......	9.55	10.21
97¼	95	Treas 3pc 1989	96	......	3.10	7.25
102	99	Treas 10½pc 1989	100	......	10.48	10.19
102	99	Exch. 10pc 1989	99	......	10.02	10.20
103	100	Exch 11pc 1989	100¼	......	10.92	10.20
97	95	Treas 5pc 1986-89	95¼	+⅛	5.23	8.96
104	100	Exch 10¼pc Cv '89	100½	+⅛	10.20	9.79
107½	103	Treas 13pc 1990‡‡	104	......	12.51	9.96
104½	100	Exch 11pc 1990‡‡	101	+⅛	10.84	9.91
107	102¼	Exch. 12½pc 1990	103	+⅛	12.06	10.01
93	91	Treas. 3pc 1990	91¼	+⅛	3.27	8.13
99	97¼	Treas 8¼pc 1987-90‡‡	97	+⅛	8.46	9.74
102½	97¼	Treas. 8pc Cv 1990 ‡	98	+⅛	8.12	8.83
103	98¾	Treas. 10pc Cv 1990	99	+⅛	10.00	9.98
91	88	Exch 2½pc 1990	89	+⅛	2.81	7.78
107¼	102	Treas 11¾pc 1991	103	+⅛	11.34	9.99
95	92	Funding 5¾pc '87-91‡‡	92	+⅛	6.24	9.11
90	87	Treas. 3pc 1991	88	+⅛	3.41	7.88
105	99	Treas 10pc Cv '91 ‡	100	+⅛	9.91	9.62
107	101	Exch. 11pc 1991	102	+⅛	10.70	9.94
98	93	Treas. 8pc 1991	94	+⅛	8.46	9.92
113	107	Treas 12¾pc 1992‡‡	107	+⅛	11.82	9.97
104	99⅛	Treas 10pc 1992	100	+⅛	9.97	9.89
98	93	Treas. 8pc 1992 ‡	94¼	+⅛	8.48	9.88
106	100	Treas 10½pc Cv 1992‡‡	101	+⅛	10.33	9.93
86	83	Treas. 3pc 1992	84	+⅛	3.56	7.83
112	106	Exch. 12¼pc '92	107	+⅛	11.41	9.98
117	110	Exch 13½pc 1992	111½	+⅛	12.11	10.00
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. ...

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
11⅛	754p	Transworld Corp $5	11⅛	+⅛	20c	—	1.1
20⅛	14½	TRINOVA Corp	16xd	+¼	64c	—	2.3
19	15⅝	USX $1	17 1/16xd	−⅛	$1.20	—	4.0
23	17⅞	Utd. Technologies	22 5/16xd	−⅛	$1.60	—	4.2
33½	26¾	US West‡	32¾	−⅛	$3.52	—	6.3
21½	16⅞	Waste Management $1	21¼xd	.....	48c	—	1.3
16⅞	12⅞	Whirpool $1	15⅞	−⅛	$1.10	—	4.2
32⅞	18¾	♦Woolworth $3½	29¼	−⅛	$1.64	—	3.3

CANADIANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp ‡	231p	−6	—	—	—
32p	11p	♦Abbot Energy Corp	25½p	+½	—	—	—
14¼	990p	♦Amer. Barrick Res.	11	.....	—	—	—
10p	3½p	American Lightwave	6½p	+¼	—	—	—
47p	16½p	♦Armeno	16½p	−1	—	—	—
76p	45p	Augmitto Expl'n	56p	+2	—	—	—
13⅞	10⅝	Bk. Montreal ‡	13⅝	−⅛	$2.00	—	7.1
697p	514p	Bk. Nova Scot.‡	686p	−6	76c	—	5.4
18⅛	15¼	BCE ‡	17¼xd	−⅛	$2.44	—	6.7

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING—Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1988 High	Low	Stock	Price	+ or -	Div Net	C'vr	Gr's	P/E
[illegible]								
35	19	Pennant Grp. 2p....y	30	......	d0.2	–	0.9	–
51	43½	Pennine Optical 2½p y	44	......	–	–	–	11.8
60	33	Propeller 1p........y	55	......	–	–	–	[illegible]
31	13	Publishing Hldgs.5p. y	24	......	–	–	–	[illegible]
237	150	Royal Sovereign 10p. y	237	......	4.6	1.9	2.6	[illegible]
26	22½	Scott Pickford 10p...y	24½	......	3.1	0.7	16.9	12.7
106	66	Seacon Hldgs........y	106	+3	–	–	–	–
15½	13	Sonic Tape 2½p....y	14½	......	♦	–	–	19.0
27	18	Staks Hldgs. 5p....y	22	–1	–	–	–	♦
4½	3	Swanyard Studios 1p y	3½	......	–	–	–	♦
293	200	Takare................y	293	......	b1.0	8.1	0.5	30.1
70	41	Theme Holdings....α	66	......	♦1.1	♦	2.2	♦
36	26	Tomorrows Leisure 20p y	30	......	–	–	–	♦
25	13½	Tullow Oil 10p.....y	18	......	–	–	–	–
135	115	UPL Group 10p.....y	117	......	L2.41	4.3	2.7	15.9
175	120	Unit Group..........y	175	......	5.0	♦	3.8	♦
125	85	Video Tape Rec 5p. y	125	......	L2.3	2.3	2.5	18.0

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -
Albany Inv 20p....y	71	......
Craig & Rose £1...y	700	......
Finlay Pkg. 5p....y	89	–1
Holt (Jos) 25p....y	£11⅝	+⅛

IRISH

Stock	Price	+ or -
Nat. 9¾ % 84/89..	£100¼	......
9pc Cap Ln. 1996..	£99¼	+¼
Fin. 13% 97/02...	£119	......
Arnotts..............y	365	......
CPI Hldgs..........y	127	–3
Carrol Inds..........y	148	–7
Hall (R. & H.)......	150	+2
Heiton Hldgs.......y	56	......
Irish Ropes..........y	160	......
Unidare...............y	490	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	25
Amstrad	16
BAT	36
BOC Grp	34
BSR	6
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	65
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	58
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	28
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Aug 3 Index No.	Tue Aug 2 Index No.	Mon Aug 1 Index No.	Year ago (approx) Index No.
68	Merchant Banks (11)	359.10	+0.9	–	4.02	–	7.03	356.03	353.04	355.88	477.88
69	Property (51)	1257.71	+0.3	5.00	2.57	25.64	14.21	1253.81	1235.75	1239.96	1212.63
70	Other Financial (30)	384.30	+0.7	10.43	5.06	12.01	9.41	381.45	380.72	381.02	564.39
71	Investment Trusts (78)	927.04	+0.3	–	2.99	–	12.35	923.97	920.11	920.74	1110.26
81	Mining Finance (2)	529.29	+1.2	9.05	3.55	12.49	8.12	523.09	520.81	526.50	671.05
91	Overseas Traders (8)	1172.03	+2.1	9.83	4.77	11.95	29.22	1147.79	1143.64	1149.14	1178.55
99	ALL-SHARE INDEX (710)	975.20	+0.3	–	4.19	–	19.36	972.14	966.77	969.89	1149.91

	Index No.	Day's Change	Day's High	Day's Low	Aug 3	Aug 2	Aug 1	Jul 29	Jul 28	Year ago
FT-SE 100 SHARE INDEX ♦	1869.7	+4.6	1870.5	1863.6	1865.1	1855.5	1862.2	1853.6	1841.3	2261.4

FIXED INTEREST

	PRICE INDICES	Thu Aug 4	Day's change %	Wed Aug 3	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	120.63	+0.17	120.42	–	7.00
2	5-15 years	137.03	+0.42	136.46	–	8.49
3	Over 15 years	149.18	+0.73	148.30	0.20	7.45
4	Irredeemables	166.76	+1.49	164.31	–	7.30
5	All stocks	134.56	+0.40	134.05	0.03	7.87
	Index-Linked					
6	5 years	128.08		128.07	–	1.12
7	Over 5 years	121.66		121.66	–	2.13
8	All stocks	122.01		122.01	–	2.04
9	Debentures & Loans	117.54		117.54	–	6.54
10	Preference	92.12	–0.55	92.64	–	3.61

	AVERAGE GROSS REDEMPTION YIELDS		Thu Aug 4	Wed Aug 3	Year ago (approx.)
	British Government				
1	Low	5 years	9.51	9.57	8.95
2	Coupons	15 years	9.33	9.40	9.76
3		25 years	9.05	9.16	9.77
4	Medium	5 years	9.93	10.00	10.21
5	Coupons	15 years	9.55	9.63	10.04
6		25 years	9.28	9.36	9.81
7	High	5 years	10.03	10.10	10.29
8	Coupons	15 years	9.70	9.77	10.20
9		25 years	9.32	9.40	9.84
10	Irredeemables	†	9.53	9.64	9.68
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.85	2.84	2.74
12	Inflation rate 5%	Over 5 yrs.	3.81	3.81	3.87
13	Inflation rate 10%	5 yrs.	1.82	1.81	2.55
14	Inflation rate 10%	Over 5 yrs.	3.64	3.64	3.84
15	Debs &	5 years	10.93	10.94	10.62
16	Loans	15 years	10.89	10.89	10.62
17		25 years	10.89	10.89	10.62
18	Preference	†	9.78	9.72	10.40

♦Opening Index 1863.8; 10 am 1864.2; 11 am 1865.5; Noon 1867.3; 1 pm 1869.2; 2 pm 1868.8; 3 pm 1870.5; 3.30 pm 1870.0; 4 pm 1868.3

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
NAME CHANGES: Carless Capel & Leonard is now Carless (51) and Television South is now TVS Entertainment (29).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	91	6	16
Corporations, Dominion and Foreign Bonds	14	9	29
Industrials	456	295	842
Financial and Properties	186	99	370
Oils	26	25	58
Plantations	1	1	11
Mines	55	35	102
Others	78	82	113
Totals	907	552	1,541

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
-	F.P.	-	13	13	Anglesey Mining Wrnts	13		-	-	-	-
§118	F.P.	-	129	121	♦BMSS 10p	123		u3.75	2.2	4.1	13.3
§125	F.P.	-	163	125	Butler Group 10p	161	+4	12.22	4.3	1.8	13.7
§145	F.P.	-	168	145	Christie Group 2p	168		L3.5	3.1	2.8	15.4
§95	F.P.	-	108	98	♦City of Lon. PR Grp 10p	100		L1.75	3.1	2.3	14.2
§300	F.P.	-	313	310	♦City Gate Ests. £1	310		18.25	2.9	3.5	10.6
§125	F.P.	12/8	146	126	Colefax & Fowler Grp. 10p	146	+1	12.8	2.7	2.6	15.5
§75	F.P.	-	81	79	Dukeminster 10p	79		M1.13	2.0	1.9	34.5
-	F.P.	22/7	163	137	English & O'seas Props 10p	138	+1	M2.6	4.9	2.5	8.5
§165	F.P.	22/8	170	168	Erostin Group	168		15.5	3.3	4.4	8.8
§95	F.P.	-	108	88	Eurocopy 5p	99	+1	M2.19	2.5	2.9	17.1
-	F.P.	-	53	48½	Glasgow Inc Tst-Wrrnts	52½		-	-	-	-
§95	F.P.	-	186	100	♦Heritage 10p	186	+1	L2.75	2.4	2.0	23.2
†	F.P.	-	118	105	Jackson Group 10p	112		13.0	3.3	3.6	11.0
§115	F.P.	22/8	165	128	♦Lincat Group 10p	163		3.7	2.5	3.0	15.2
120	F.P.	-	144	123	National Telecom 5p	144		L2.0	4.1	1.9	14.1
§100	F.P.	28/7	106	91	Needler Group	101			2.1	4.3	10.9
60	F.P.	26/8	74	58	♦Optim Group 10p	58		-	-	-	19.8
-	F.P.	-	250	240	Palmerston Hldgs.	240	-2	u7.5	1.3	4.2	18.3
‡‡	F.P.	-	6	2	*Pennine Res.	6	+½	-	-	-	-
♦	F.P.	-	88	81	RIT Capital Partners £1	82	+1	-	-	-	-
§195	F.P.	-	251	198	Rechem Enmntl. Servs.	251	+2	u4.5	2.5	2.4	22.3
§140	F.P.	27/7	161	146	♦Reject Shop 5p	146		L3.15	2.2	2.9	18.9
140	F.P.	5/8	141	120	Rockfort Group 20p	125	+2	R3.9	3.3	4.2	8.1
§125	F.P.	19/8	133	125	Savills 5p	131		L3.0	2.5	3.1	14.5
♦	F.P.	-	143	115	Seafield	121		-	-	-	-
160	F.P.	-	193	186	♦Serif Cowells	186		-	-	-	-
§80	F.P.	-	95	84	♦Severfield-Reeve 10p	93		u2.75	2.3	3.9	13.2
§80	F.P.	-	96	80	♦Tams (John) Group 10p	88		L3.3	2.0	5.0	11.9
-	F.P.	-	21	14	Waverley Mining Warrants	21	+3	-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	103p	102p	Attwoods (Fin) 8½pc Gtd Rd Cv Pf 5p	103p	+1
-	F.P.	12/8	313p	308p	♦City Gate Ests 3¾pc Cm Cv Prf £1	310p	
100p	F.P.	22/8	105p	101p	Erskine House Grp 7.25pc Cv Cm Rd Pf	102p	
♦	Nil	-	8p	6p	Hampton Inds 6.5pc Cv Cm Rd Pf	8p	+1
-	F.P.	-	118p	108p	♦Hewetson 7pc Cm. Cv. Rd. Pf. £1	117p	
65	F.P.	12/8	£65¼	£65¼	Housing Fin. Corp. 7pc Deb. 2009	£65¼	
100p	Nil	-	2pm	½pm	KLP Group Cu Cv Rd Pf 10p	¼pm	
-	F.P.	-	100	99¾	N'wide Ang. 10⅝pc 17.7.89	99¾	-⅛
-	F.P.	-	100	99¾	Do. 11¼pc 7.8.89	99¾	-¼
§100p	F.P.	-	115p	111p	Prestwick Hldgs 7¼pc Cv Rd Pf £1	111p	
♦	F.P.	-	£86½	£82½	RIT Capital Ptnrs 2½pc Cv Uns Ln 2000	£86½	+1
100p	F.P.	-	108p	100p	Summer Int'l. 7½pc Cv Rd Prf	100p	
100p	Nil	-	5pm	½pm	Tomkins 6.25pc (net) Cm Cv Rd Pf 20p	1ppm	+½
100p	Nil	-	106p	103p	TVS Enter. 7.4p Cv Cm Rd Prf 2008	106p	
♦	F.P.	-	105p	103p	Wagon Ind'l. Hldgs. 7¼pc Cv Prg Pf	105p	+2
♦	Nil	-	2pm	1½pm	Waterglade Intl.7.75% Cv Cm Rd Pf	1½pm	-½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
340	Nil	2/9	65pm	56pm	Booker	56pm	-1
50	Nil	-	12pm	8½pm	Bryant (Derek) Group 10p	12pm	
180	Nil	16/9	11pm	8pm	♦Campbell & Armstrong 5p	11pm	+1
282	Nil	9/9	40pm	20pm	Evans Halshaw Hldgs.	38pm	+1
20	Nil	-	7pm	5pm	Goodman Group 5p	5pm	-1
685	Nil	8/9	145pm	135pm	Macallan-Glenlivet	145pm	
310	Nil	8/9	58pm	43pm	Northamber 5p	58pm	+3
45	Nil	-	31pm	28pm	Owners Abroad Group 3p	29pm	-2
2	Nil	-	4pm	1¼pm	*Pennine Res A 1p	4pm	+1
33	Nil	13/9	12pm	5pm	♦Reliant Motor 10p	6pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¥ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted Securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings July 25
- Last Dealings Aug 5
- Last Declarations Oct 27
- For settlement Nov 7

For rate indications see end of London Share Service

Call options were taken out in Highland Distillers, Belhaven, Boddingtons, FKI Babcock, Dunton Group, C. Church, Standard Chartered, Marinex, Chloride, Mowat Group, Calor, Matthew Hall, Kwik Fit and Eagle Trust. No puts were reported, but a double option was arranged in S. Miller.

LONDON TRADED OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Lyons (*423)	390	46	55	63	5	10	13
	420	24	35	45	13	21	25
	460	8	17	26	42	45	48
Brit. Airways (*162)	140	27	29	33	2½	3	6
	160	11	15	20	7	11	15
	180	2½	6½	-	2-	24	-
Brit. & Comm. (*239)	220	28	33	40	5	8	10
	240	17	23	27	15	18	20
	260	8	14	20	25	30	32
B.P. (*259)	240	25	31	32	4	7	10
	260	10	18	22	12½	15½	20
	280	4	9	12½	28	29	34
Bass (*788)	750	62	72	85	10	20	22
	800	30	42	55	30	40	42
	850	10	20	-	67	75	-
Cable & Wire (*361)	330	58	68	80	3	7	12
	360	35	46	57	10	14	20
	390	16	28	40	21	28	35
Cons. Gold (*1033)	950	125	155	180	28	43	50
	1000	85	120	150	53	67	80
	1050	36	67	90	110	130	145
Courtaulds (*354)	330	37	47	60	7	11	16
	360	19	28	40	20	25	29
	390	9	16	-	40	43	-
Com. Union (*384)	330	58	70	-	4	7	-
	360	34	50	56	12	17	22
	390	17	31	38	26	31	36
G.E.C. (*159)	140	23	28	31	1½	4	4½
	160	7½	13	17	7	8	13
	180	1½	5	-	23	25	-
G.K.N. (*341)	300	36	54	60	4	10	15
	330	22	34	39	13	21	27
	360	8	17	-	32	38	-
Grand Met. (*494)	420	78	-	-	1½	-	-
	460	45	57	63	7	11	15
	500	19	34	40	24	33	48
I.C.I. (*1058)	950	117	143	-	8	16	-
	1000	75	105	120	23	33	48
	1100	25	52	62	72	80	100
Jaguar (*286)	260	33	43	52	5	10	13
	280	20	29	38	13	17	23
	300	10	19	29	25	30	33
Land Securities (*586)	500	98	108	120	2	6	12
	550	55	68	83	8	17	23
	600	22	38	50	27	37	45
Marks & Spencer (*174)	160	18	24	28	2	5½	7
	180	6½	11	16	9	12	14
	200	2	4½	-	27	30	-
Britoil (*500)	420	-	-	-	1	-	-
	460	-	-	-	3	-	-
	500	-	-	-	14	-	-
Rolls-Royce (*140)	130	15	18	22	4	6½	10
	140	8½	13	17	7½	11	15
	160	2½	5	8	23	25	28
STC (*285)	260	32	42	47	4	7	15
	280	18	29	34	12	16	24
	300	10	18	-	23	26	-
Sainsbury (*218)	200	24	28	34	2	5	6
	220	8	16	22	10	12	14
	240	4	7	-	25	25	-
Shell Trans. (*1063)	950	128	-	-	10	-	-
	1000	85	115	128	20	30	45
	1100	30	58	72	70	77	95

August 4 Total Contracts 42,646 Calls 25,592 Puts 17,076
FT-SE Index Calls 2166 Puts 1039
*Underlying security price.

LONDON STOCK EXCHANGE

Major stocks close below their best

THE UK stock market continued to hold up well in a somewhat uncertain trading environment yesterday, although major stocks closed below their best levels as interest waned towards the end of the session. With sterling steady, concern over domestic interest rates remained subdued. Again it was left to special situation stocks to provide the features of the market. Government bonds had another comfortable session, attracting some modest support from UK institutions.

Equities opened in the face of some profit-taking, following another firm, but uninspiring overnight performance from Wall Street. But speculative tension was revived early on by the £600m bid for Pleasurama, recent purchaser of the *Hard Rock Cafe*, from Mecca, the entertainment group. Mecca itself came to stock market quotation two years ago following its formation by a management buyout from Grand Metropolitan, the UK hotel group.

Account Dealing Dates		
First Dealings:		
Jul 18	Aug 1	Aug 15
Option Declarations:		
Jul 28	Aug 11	Sep 1
Last Dealings:		
Jul 29	Aug 12	Sep 2
Account Day:		
Aug 8	Aug 22	Sep 12

*New time dealings may take place from 9.00 am two business days earlier

Good trading figures from British Airways were well received, but it was soon clear that the midsummer doldrums were continuing to hold sway in the market. Share prices, having drifted upwards at first, ended below their best levels.

The FT-SE 100 Index closed a net 4.6 up at 1869.7. The provisional Seaq volume total of 472.3m shares, compared with Wednesday's final figure of 353m, indicated an improving trend of business.

Pharmaceutical stocks quietened down again, with Fisons giving back a few pence of Tuesday's gain. The rest of the international equity sector showed mixed changes.

There was some division of views on Shell shares after Royal Dutch/Shell took the unusual step of telling New York oil analysts that next week's second quarter earnings report might be out of step with the other industry majors. Mr Richard Pzena at Sanford C. Bernstein said he continued to mark the shares a "buy", although the Royal Dutch figures might be around 20 per cent down, compared with falls of about 10 per cent at Exxon and Chevron.

In London, Mr Philip Lambert of Kleinwort Grieveson, which has recently recommended switching from BP into Shell, stressed the latter's yield attractions, which are expected to be buttresses next month when Shell is widely expected to disclose a significant increase in the interim dividend. Shell closed in London little changed at £10⅝.

Government bonds edged higher behind the pound, ending near the best of the day in good, if unexciting, trading. Bond analysts commented that the recent firmness of the UK currency has reduced pressure for a further hike in domestic interest rates.

Long-dated Gilts closed ⅝ better, with the nearer dates showing slightly smaller rises. Index-linked were active but calmed down after the authorities checked the sector with further sales of the 2 per cent 2006 IL stock.

BA profit beats forecasts

British Airways traded heavily as the group surprised the market with the announcement of much-better-than expected first quarter figures. BA easily topped yesterday's list of active stocks (volume amounted to around 24m) with the shares closing a shade below the best at 162p, up 5.

Although positive about long-term prospects, City analysts had been taking a cautious stance largely because of worries about the extent of the projected turnround at British Caledonian. In the event, BA weighed in with pre-tax profits of £81m (£90m) compared with a range of market forecasts extending from £60m to £75m.

Commenting on the figures, BZW, the securities house, believes that most of the bad news from BCal is out of the way. It is subsequently raising the full year profits forecast to around £250m. BZW also reiterates the longer term attractions of BA, but points out that in view of the recent strength *in the share price it is looking* for a period of consolidation.

Hickson slip

Hickson, the chemical company, pleased the market with results well above most forecasts, but the shares eased 4 to 243p. A company visit to Yorkshire by a phalanx of analysts yesterday was judged a success, but dealers were worried by talk from the company of an acquisition, possibly of in the wood treatment area, in the near future.

Analysts said any Hickson purchase would involve the issue of paper, news guaranteed to depress shares in the current climate. Arbitrageurs are known to have stakes in Hickson and there has been persistent buying of the stock at lower levels.

Mecca shows hand

Pleasurama provided one of the the market's few features after the announcement of the surprise bid from Mecca Leisure. Talk on Wednesday of a bid from Rank Organisation proved unfounded, but there were hopes that Rank or Trusthouse Forte might make a counter-bid. Turnover in Pleasurama shares was brisk, with 8.4m shares changing hands as the price surged 42 to 268p shortly after opening. The shares later slipped to close at 260p, a net 34 higher.

The bid, which caught most dealers unawares, was described by analysts at Kitcat and Aitken as "very finely judged". Other were less subtle, suggesting the bid was "overdone" and predicting that a counter-bidder will quickly appear. There was vague speculation, based on the fact that Mecca is bidding three times its own size, that a friendly consortium might be waiting in the wings to help Mecca see off any rival predator.

The Kitcat analysts pointed out that unless another bidder emerges, investors will have to choose between the European expansion plans of the Mecca management and Pleasurama's intention to branch out in the US. The Mecca Leisure share price fell back 12 to 204p.

Racal bears

Racal lost tuppence to 328p on turnover of 6.3m as marketmakers speculated that Millicom - the US group which owns 5 per cent of Racal - might be winning its campaign to block the flotation of Racal subsidiary Vodafone. Millicom claims that a full demerger of Vodafone is a more cost-effective way to raise money. Dealers say that the flurry of recent meetings between Sir Ernest Harrison, chairman of Racal, and City brokers shows that he is seriously worried by Millicom's claims to have won *considerable support among* Racal shareholders.

Analysts at securities house Smith New Court were said to have left their meeting with Harrison on Wednesday in a bearish mood. This was backed up yesterday when Smith were seen to stay on the offer in Racal shares all day. The Racal chairman also met with Hoare Govett - brokers for the flotation - as he puts the finishing touches to his battle to persuade shareholders at next week's egm to accept the Vodafone flotation.

Inchcape suddenly came into focus, drawing attention and a welcome revival of business to the Overseas Traders sector. The ball was set rolling by an unusually sizeable purchase of Inchcape shares soon after the opening. Prospective buyers, awaiting opportunities at lower levels, were forced to move and the price responded with a rise of 8 to 220p.

Two investment houses, and probably more, favour the stock. BZW is looking for first-half profits of £67.5m, when the group reports on September 15, and strong growth in the three main operating areas of Singapore, Hong Kong and the UK. Hoare Govett is even more optimistic, and yesterday raised its forecast to £70m. Both houses predict £140m for the full year.

Polly Peck also advanced smartly, closing at a 1988 high of 326p, up 13. The situation bore resemblance to Inchcape with a large early deal — 500,000 shares — triggering the rise. The group later announced the acquisition of a privately-owned UK textiles marketing company and the issue of new shares to the vendors.

Lonrho were not left out, gaining 4 to 238p, but Tozer Kemsley were a better feature, spurting 7 to 105p on revived speculation that major shareholder Sir Ron Brierley may bid for the outstanding shares.

Calor, part of Imperial Continental Gas until May last year, went better after a recommendation from CIBC Securities. Dr Homa Motamen, Director of Oil Services, says severe cost cutting and increased industrial demand for bottled gas has resulted in higher pre-tax profit despite a very mild winter. Calor is expected to experience growth of 10 to 15 per cent in the next three years and is likely to increase its future dividend.

Rothmans International began to recover from the damage inflicted by the controversial payment to its retiring chairman, gaining 8 to 424p. News is also expected later this month about the possible restructuring of Rembrandt, one of the group's two major shareholders, which could be positive for Rothmans. Warburg Securities give the stock a high rating, pointing to strong *fundamentals*.

Jaguar were overshadowed by another month of lower US sales and closed 4 down at 286p. BZW Research advised subscribers to its Topic screen service that, "The July figure, down 25 per cent at 1539 units, indicates Jaguar is unlikely to meet our target of 21,000 US sales in 1988. Fundamental sale, but bid hopes remain". Dowty moved higher, ending 6 up at 211p, when an early above-averge deal touched off a squeeze on marketmakers' book positions. The business was said to represent the closing of a straddle between Dowty and CASE, which has accepted a share exchange offer from Dowty.

T Cowie disclosed sharply increased profits at the half-way stage but the news was expected and the shares eased to 125p before rallying to finish 2 firmer on balance at 130p.

The day's one newcomer, property investment group Dukeminster, were boosted by a firm property sector. Placed by brokers BZW at 75p, Dukeminster quickly raced to 81p before closing at 80p on a 5 pence premium.

Burton shone brightly in a dull Stores sector following a suggestion in the Press that the group has a break-up value of 500p. Although no names were linked with Burton, marketmakers think that a bid could appear if the stock continues to underperform the market. Burton closed 6 better at 235p. Goldberg continued its recent run, jumping 10 to 225p as Charterhall upped its stake in the retail fashion group to 22.02 per cent. Charterhall eased a ¼ to 25¾p.

Blue Circle traded briskly (around 2.4m shares changed) amid a continuation of Hanson bid rumours and closed 12 to the good at 469p. Elsewhere there was a good turnover in Marley, up 9 at 159p, with some demand being aroused by talk of stakebuilding. Redland, bought recently for its income attractions, encountered further persistent buying and closed 8 dearer at 445p in volume of 2.9m shares. Walter Lawrence, reflecting news that Colguy has increased its holding to just over 12 per cent, improved 5 to 175p.

Bid news from Mecca Leisure led to activity throughout the Leisure sector, with hotel-related stocks enjoying support. Trusthouse Forte rose 6 to 258p amid sizeable buying of traded options - September and December 260 calls saw most of the interest.

Belhaven climbed 6 to 62p, while Saga Holiday improved 17 to 235p as dealers chased eachother's prices. TV South returned from suspension and opened nearly 30 below its previous price of 330p, before recovering to close at 315p.

There was minimal trade in the Brewery sector, with dealers occupied by the Leisure stocks. Greenall Whitley gained a further 10½p to 243p, with Kleinwort Grieveson reported as a buyer.

Property stocks failed to maintain Wednesday's momentum amid some late profit-taking, although volume in the leaders was again impressive. Overseas buying boosted Hammerson "A" 13 to 644p. Rosehaugh moved up 11 to 749p and Stanhope gained 8 to 295p in a thin market, while Brixton Estates initially improved 7 to 331p on buy recommendations from Barclays de Zoete Wedd and Kleinwort Grieveson before easing to close 2 better on 333p. P&O, often regarded as a property stock with its widespread real estate interests, improved 6 to 590p.

Vickers provided one of the main features in the Engineering sector, advancing in a flurry of activity to close 9 higher at 182p amid market talk that Adelaide Steamship had acquired a 5 per cent stake.

TI's half-year profits of £40.1 (25.1m) pleased the market and the shares closed around the day's best with a gain of 13 at 369p.

Birmid Qualcast, reflecting the unwinding of speculative positions, ran back 7 to 416p, while VSEL Construction eased 5 to 453p before recovering to close unaltered at 458p in the wake of the rejection of a package aimed at ending the eight week old strike. GKN, scheduled to reveal interim figures next Thursday, firmed 5 to 341p.

Volume shot up in the *Traded Options Market*, boosted by heavy demand for a few individual stocks. Overall 42,666 contracts were traded, of which 25,590 were calls and 17,076 puts. TSB stood out with 6,936 contracts reported, representing 6.9m in the equity. Close behind was Trusthouse Forte with 4,188 calls and 850 puts, and Sears with 2,073 calls and 1,029 puts.

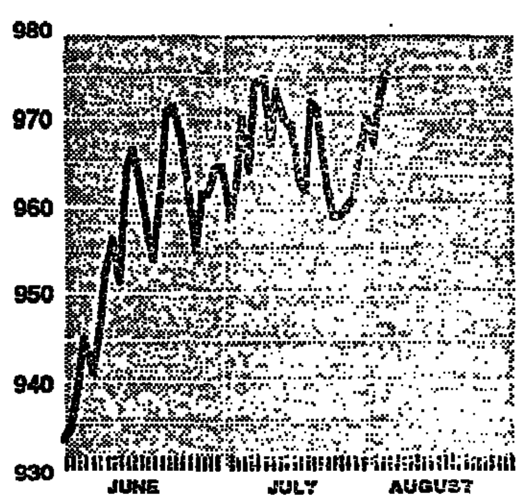
Other statistics, P 25

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (124). BRITISH FUNDS (1) Conv.3½ pc '61 Aft., INT. BANK & O'SEAS GOVT. STLG. ISSUES (1) Utd. Mexican States 16½pc 2008, FOREIGN BONDS (1) Iceland 14½pc 2016, AMERICANS (9) CANADIANS (1) Denbus Res., BANKS (2) Rothchild (J.), Westpac, BREWERS (3) Belhaven, Eldridge,Pope "A", BUILDINGS (4) Gleeson (M.J.), Harrison Inds, Hewetson, Ibstock Johnson, CHEMICALS (2) Akzo, Wardle Storeys, STORES (4) Coles Myer, Courts "A", Fine Art Devs., Goldberg (A.), ELECTRICALS (12) ENGINEERING (11) FOODS (8) HOTELS (1) Ladbroke, INDUSTRIALS (13) BTR, Bardsey, Bespak, Bonded Laminates, Brit.Bloodstock, Creighton Labs., Dean & Bowes, Fletcher Chlnge, Optical & Med., Powell Duffryn, UDO, Worcester, YRM, INSURANCE (1) Lincoln Nat., LEISURE (8) Campari Int., GWR, Juliana's, Midsummer Leis., P'dilley Radio NV, Pleasurama, 7pcCvPf, Radio Clyde, Saga Hols., MOTORS (2) Alexanders, Cowie (T.), NEWSPAPERS (3) Assoc.News, Johnson Press, Trinity Int., PAPERS (4) Aspen Comms., Osborne & Little, TMD, Wace, PROPERTY (5) SHIPPING (1) Sea Containers, TEXTILES (1) Palma, TRUSTS (14) OILS (5) Barrack Energy, Calor, Coastal Cpn., Pako Oil, Texaco 8pc Cnv., OVERSEAS TRADERS (2) Polly Peck 8pc Ln., Tozer Kems 8½pc [illegible]

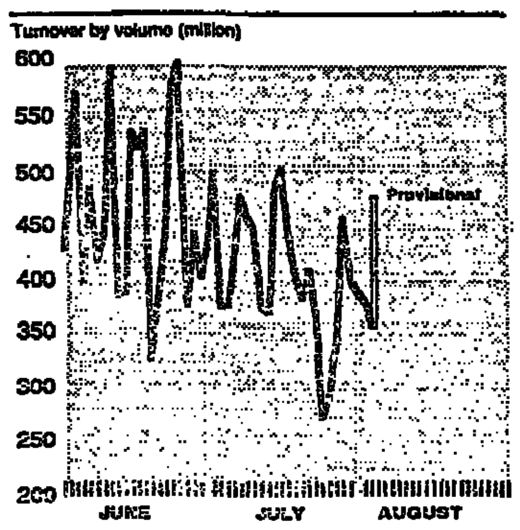
NEW LOWS (12). LOANS (2) [illegible] '92-97, CANADIANS (1) [illegible] Food, INDUSTRIALS (1) [illegible] OILS (1) [illegible] Deep, Bracken, East Daggas, Modder B Gold, THIRD MARKET (1) Anderson Res.

FT-A ALL-SHARE INDEX



SEAQ SHARES TRADED

Turnover by volume (million)



FINANCIAL TIMES STOCK INDICES

	Aug 4	Aug 3	Aug 2	Aug 1	July 29	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	86.37	87.98	88.02	87.96	87.94	83.42	91.43 (18/4)	86.07 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.66	97.33	97.54	97.58	97.57	93.49	96.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1508.5	1502.0	1491.4	1495.5	1458.7	1754.1	1510.5 (11/7)	1379.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	190.1	187.8	188.3	204.0	203.8	488.5	312.5 (7/1)	195.4 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)

	Aug 4	Aug 3	Aug 2	Aug 1	July 29	Year Ago
Ord. Div. Yield	4.50	4.51	4.55	4.53	4.55	3.30
Earning Yld. %(full)	11.42	11.45	11.53	11.49	11.59	8.18
P/E Ratio (Net)(☆)	10.66	10.54	10.57	10.63	10.52	14.99
SEAQ Bargains (5pm)	25,115	22,513	22,970	24,482	30,546	45,611
Equity Turnover (£m)	–	1037.74	971.99	895.28	906.55	2336.74
Equity Bargains	–	23,529	25,463	27,570	33,105	55,564
Shares Traded (ml)	–	550.0	377.2	385.1	398.5	763.5

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1502.4	1502.7	1503.5	1506.1	1507.6	1507.5	1508.5	1505.9

DAY'S HIGH 1508.8 DAY'S LOW 1502.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆ Nil 10.56

S.E. ACTIVITY

Indices	Aug 3	Aug 2
Gilt Edged Bargains	113.3	108.2
Equity Bargains	146.0	165.1
Equity Value	2097.55	1964.6
5-Day average		
Gilt Edged Bargains	109.4	109.4
Equity Bargains	173.0	174.2
Equity Value	1960.1	1906.7

© London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	[illegible]	[illegible]	[illegible]
Abbey Life	[illegible]	[illegible]	[illegible]
Allied-Lyons	[illegible]	[illegible]	[illegible]
Amstrad	[illegible]	[illegible]	[illegible]
Argyll Group	[illegible]	[illegible]	[illegible]
Assoc. Brit. Foods	[illegible]	[illegible]	[illegible]
BAA	[illegible]	[illegible]	[illegible]
BAT	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC	[illegible]	[illegible]	[illegible]
BPB Inds.	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]
Beecham	[illegible]	[illegible]	[illegible]
Blue Arrow	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]
Brit. Airways	[illegible]	[illegible]	[illegible]
Brit. Aerospace	[illegible]	[illegible]	[illegible]
Brit. & Commonwealth	[illegible]	[illegible]	[illegible]
British Gas	[illegible]	[illegible]	[illegible]
BP	[illegible]	[illegible]	[illegible]
Brit. Telecom	[illegible]	[illegible]	[illegible]
Burmah Oil	[illegible]	[illegible]	[illegible]
Burton	[illegible]	[illegible]	[illegible]
Cable & Wireless	[illegible]	[illegible]	[illegible]
Cadbury Schweppes	[illegible]	[illegible]	[illegible]
Coats Viyella	[illegible]	[illegible]	[illegible]
Commercial Union	[illegible]	[illegible]	[illegible]

APPOINTMENTS

New chief executive for Cardiff City Council

Mr Roger Paine has been appointed chief executive of CARDIFF CITY COUNCIL, the third largest non-metropolitan district council in the UK. Mr Paine, who is 44 and a graduate of Swansea University College, will take up his £43,000-a-year post in November, *writes Anthony Moreton, Welsh Correspondent.*

Mr Paine has been chief executive of The Wrekin District Council since 1980. Before that he was deputy chief executive of the London Borough of Camden.

He succeeds Mr Harry Crippen, chief executive since 1976. Mr Crippen, a Lancastrian who at one time played professional cricket in the North Staffordshire League as an opening bowler, has been deeply involved in the attempt to win the 1994 Commonwealth Games for Cardiff.

One of his last official functions will be to accompany the party making the presentation to the Commonwealth Games Federation in Seoul, before the opening of the Olympic Games in the South Korean capital on September 15.

Mr Crippen has also been instrumental in the policy of offering the freedom of the city to world-renowned figures, such as Pope John Paul II and the Prince and Princess of Wales, as well as opening the way for Cardiff to be twinned with the Chinese city of Xiamen.

■ Mr J.N.C.James has been elected a vice chairman of SUN ALLIANCE AND LONDON INSURANCE. He has been a director since 1972. Mr James is a trustee of the Grosvenor Estate, and a director of the Woolwich Equitable Building Society, and of the Royal Bank of Scotland.

■ Mr Ted Mitchell has been appointed chairman and chief executive of ABDON, national painting contractor. He was financial director.

■ COLOGRAPHIC has appointed Mr Geoffrey Andrews, managing director of The Diners Club, as a non-executive director.

■ Mr John Chaplin has been appointed UK finance and commercial director by DYNO-ROD. He joins from ICL, where he was vice president for central Europe. Mr Mike Cowler has been appointed vice president-international operations.

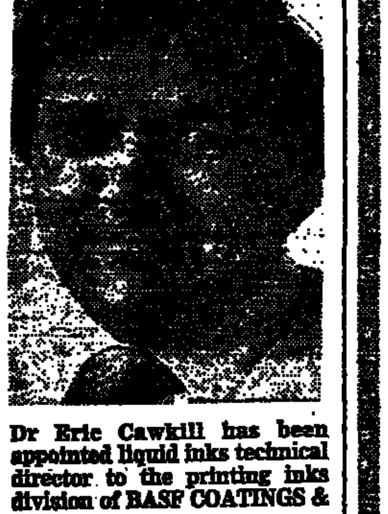
■ Mr J.A.F. Alexander has been appointed director-corporate affairs and a director of BURMAH OIL TRADING. He was responsible for external and internal corporate communications.

■ HESTAIR has appointed Mr Jeremy M. Stoke a director. He also becomes executive chairman of the newly-formed nursery products division, which includes Kiddicraft and the recently purchased Andrews Maclaren. Mr Stoke was managing director in the company's engineering division.

■ UNION SQUARE has appointed Mr Anthony Green and Mr Antony Spencer as joint managing directors and Mr William Summucks as group finance director. Mr Robert Tanner and Mr Peter Whitfield have resigned.

■ Mr Martin Russell has been appointed executive director and treasurer of a new company SECURED RESIDENTIAL FUNDING, which will be managed by Household Mortgage Corporation. Mr Andrew French has been made the executive director in charge of operations. Mr Russell joins from Grand Metropolitan where he was assistant treasurer. Mr French was general manager operations at SDS Bank.

■ Ms Anne Watts has been appointed equal opportunities director of MIDLAND GROUP. She joins Midland from National Westminster, where she directed its equal opportunities programmes.



Dr Eric Cawkill has been appointed liquid inks technical director to the printing inks division of BASF COATINGS & INKS.

■ Mr Peter Leslie has been elected chairman of the OVERSEAS DEVELOPMENT INSTITUTE in succession to Sir Reay Geddes. Mr Leslie is deputy chairman of Barclays Bank.

■ THE LONDON TRADED OPTIONS MARKET COMMITTEE has elected Mr David Heron of James Capel and Mr David Roden of Barclays de Zoete Wedd as members. They will replace Mr Brian Carter and Mr Tim Edwards who have retired.

Opec tries again for consensus

Steven Butler sees a limited success at the Lausanne meeting

TO ALL appearances Wednesday's one-day meeting of the price committee of the Organisation of Petroleum Exporting countries was a classic failure of the sort oil markets have grown to expect.

Oil traders immediately marked down prices after the meeting ended, when it was clear Opec had no surprises this time to pull suddenly out of the hat, nor even a few reassuring words that overproduction by Opec would soon end.

The markets were right to focus again on the fundamentals of supply and demand, and today the price of Brent crude dropped another 50½ cents to $14.46. But this latest Opec meeting ought not to be chalked up as just another failure.

This is true in the narrow sense because the five oil ministers from Saudi Arabia, Venezuela, Algeria, Indonesia and Nigeria who gathered on Wednesday evidently had no grand initiative on the agenda and never seriously considered the question of whether to call a full extraordinary meeting of Opec ministers.

The meeting, set in a luxurious hotel overlooking Lake Geneva, was initially to have been a quiet, secret affair where the oil ministers and the newly-appointed secretary general, Dr Subroto of Indonesia, could relax and discuss the deep rifts in the cartel that have prevented it from gaining control of oil markets recently.

That in the event appears to be what happened, minus the secrecy.

The meeting of course made no clear progress toward solving any of the cartel's outstanding problems. These include Iraq's refusal to accept a quota on its production, and the decision by the United Arab Emirates to lift its production about 50 per cent above its Opec quota of 948,000 barrels a day.

The bitter row over how to define what kind of crude oil falls under the quota system was apparently not discussed in detail, nor what to do about the "neutral zone" crude oil production that inflates the Opec daily output and which Saudi Arabia and Kuwait say they are producing on behalf of Iraq as war relief.

Two new factors, however, have given Opec members hopes that progress on these issues is now possible. First is the prospect for what Opec describes as "real peace" in the Gulf between Iran and Iraq. The war between two of Opec's major oil producers had sapped the strength of the cartel and prevented it from addressing some of the fundamental issues.

"In the past no one wanted to talk about these things," said a member of one delegation to the meeting. "The war prevented dialogue and weakened Opec."

Dr Subroto now plans to travel to Tehran and Baghdad to see if a formula can be agreed that will allow Iraq to rejoin the Opec quota system. Iraq had rejected a quota and unilaterally raised production in order to fund its war effort.

An end to the war would not solve Opec's problems so much as create the possibility of doing so, even though this could take years.

Second, Opec now has a full time administrator in Dr Subroto, who is capable of playing an activist role to exploit fully any possibilities for compromise among Opec's bickering members. Dr Subroto, in his long tenure as Indonesia's minister of mines and energy earned a reputation as a moderate man capable of making deals.

He is widely respected both inside and outside of Opec, and has the authority to command serious attention when, in the coming months, he visits Opec nations to attempt to form a new consensus. That said, he faces enormous difficulties.

Subroto: Can exploit possibilities for compromise

Opec's bickerings are at heart over how to divide a pie that keeps shrinking as non-Opec oil production continues to increase faster than growth in the world's demand for crude oil.

The basis for dividing the Opec pie has come under attack as some Opec countries, notably Iraq and the United Arab Emirates, have upgraded their oil reserve estimates thus claiming they deserve a bigger quota.

But if some Opec countries receive a higher quota, others must logically accept a lower one unless the world is to continue being flooded by crude oil supplies. This is a bitter pill for Opec no matter what Dr Subroto may do.

The UAE has now given assurances to Dr Subroto that it would respect Opec decisions, including quota assignments, but at the same time it insists its "legitimate" quota is over 50 per cent above the official Opec ceiling of 948,000 barrels a day, at 1.5m barrels.

"You are free to draw your own conclusions," said Dr Subroto after the the meeting.

Even at the scheduled meeting of Opec ministers in November, he thought the cartel unlikely to be ready to agree an entirely new basis for quota assignment.

Also at issue is the bitter row in the last meeting over what constitutes crude oil. Very light and very heavy crudes fall outside the Opec definition, but they compete with Opec crudes in the energy market. Kuwait has accused some Opec members, notably Venezuela, of increasing output of these heavy and light crudes in effect to evade their quota.

This issue, like the division of quotas among members, erodes the very foundations of the Opec consensus, the sense of fairness that Opec members must feel if discipline is to be restored.

Another underlying difficulty is fundamentally different views on where oil prices ought to be. Saudi Arabia and other big Gulf Arab producers with reserves lasting many decades are thought to be wary of pushing oil prices too high for fear of making crude oil uncompetitive.

Other countries, however, desperately need hard currency now and their oil reserves might not last long enough to take advantage of significantly higher oil prices if and when they come in the future.

Wednesday's meeting may have helped to clear the air a bit. But Dr Subroto has a long way to go to reach his goal of restoring Opec cohesion, and no clear path to get there.

Auspicious date chosen for cocoa launch

By Wong Sulong in Kuala Lumpur

TRADING IN cocoa futures will start on the Kuala Lumpur Commodities Exchange on Monday.

The launch date, 8/8/88, was chosen because, to the superstitious Chinese, it signifies "double double prosperity". But the Malaysian authorities had more practical commercial factors in mind when they authorised cocoa as the fifth commodity to be traded on the KLCE.

"We are now the third largest cocoa producer, and we should be producing more than a quarter of a million tonnes by 1990. As such, we need to have a say in determining cocoa prices," explained a senior official of the Ministry of Primary Industries.

Apart from providing facilities for hedging in the Far East time zone, the ministry hopes the acceptance of the KLCE cocoa contract will eventually eliminate the current price discount Malaysian cocoa suffers on European and American markets.

Malaysian cocoa beans, because of their variable size and acidic taste, sell at £150 a tonne less than African beans in London, and this represents a big loss of income for Malaysian growers.

Like the tin contract, the cocoa contract will be designated in US dollars instead of Malaysian ringgit, and the lot size has been raised set at 10 tonnes instead of 5 tonnes, to reduce the trading cost.

There will be two trading sessions, the second running from 4 pm To 7 pm Malaysian time, allowing for arbitrage with the London market.

The basis of the contract grade is a bean count of 110 or less per 100 grammes. Higher bean counts will attract discounts on a graduated scale.

The exchange says cocoa beans from Malaysia and Papua New Guinea will be delivered at par, while beans from Indonesia, the Philippines and Thailand will be at a discount of $45 atonne.

Delivery points at are approved warehouses at Tawau in Sabah state, Port Klang in Selangor state and Pasir Gudang in Johore state.

● Malaysian cocoa production will reach 240,000 tonnes in 1988-89 and 250,000 by 1989-90, from 205,000 tonnes in 1987-88 (October-September), according to forecasts by the Sabah Marketing Corporation, reports Reuter.

The state-owned cocoa plantation company said the rise in production mainly reflected the rapid increase in plantings in the East Malaysian state of Sabah in the early 1980s.

Peruvian strike drives zinc higher

By David Blackwell

ZINC PRICES on the London Metal Exchange rose sharply yesterday amid growing concern about *force majeure* declarations being made in the strike-ridden Peruvian mining industry.

Cash metal rose by £30.50 a tonne to £758 a tonne, more than doubling the cash premium over three-month metal to £13.50, compared with £6 on Wednesday.

Peru's *force majeure* declarations now appear to cover its entire output. Reuters reported on Wednesday that Minpeco, the state mining company, had declared *force majeure* on shipments from the Cajamarquilla zinc refinery after guerilla black-outs halted production. The troubled refinery has been producing about 5,000 tonnes of zinc a month this year, compared with its capacity of about 8,000 tonnes.

The news agency also reported a *force majeure* declaration at Mahr Tunnel, which produced 37,610 tonnes of zinc last year.

Mr Robin Bhar, of London metals trader Rudolf Wolff, said news of the Peruvian declarations had attracted some speculative buying into the already tight market. Although Peru produced only about 3 per cent of Western world zinc, the impact of a halt in output would be heightened as the supply/demand balance was already heading for a deficit this year.

Zinc consumption is at its lowest level in the summer. When demand picks up in the next quarter, especially from the motor industry which is increasingly using the metal for galvanising body panels, supplies could get extremely tight, especially if the strikes drag on, he said.

Comex updates its copper contract

By Deborah Hargreaves in Chicago

NEW YORK'S Commodity Exchange (Comex) moved to update its copper futures trading last week with the launch of a high-grade copper contract.

The new contract, against which only Grade 1 electrolytic copper cathodes will be deliverable, is more representative of world copper output and will gradually replace Comex's previous system of paying a premium for high grade material delivered against its standard grade contract.

The Grade 2 contract will gradually be phased out.

The high grade contract got off to a quiet start, trading 23 lots since its launch on Friday, but it has generally been well received. Exchange officials stress that the contract should not be judged by its initial trading volume, but by the stabilising effect it brings to a nervous market.

Copper futures trading on Comex has been depressed by this year's persistent backwardation, which has made nearby metal more expensive than copper for delivery several months ahead – the opposite of the futures market's normal function.

Growers sceptical about Brazilian coffee forecast

By John Barham in Sao Paulo

A BRAZILIAN Coffee Institute forecast of a 20.6m bag coffee harvest was greeted with scepticism yesterday by local producers.

The institute's forecast is only slightly down on its previous estimate of 20.7 bags, but Mr Isaac Ferreira Leite, president of a large coffee co-operative, said "We think that forecast will not be attained, output will be closer to 17m bags."

The coffee institute, a regulatory government department, expects the state of Minas Gerais to produce 8.8m bags and the state of Espirito Santo to produce 4.6 bags. Both these states in central and eastern Brazil are relatively new coffee growing regions.

The traditional coffee producing states of Sao Paulo and Parana in the south are forecast to produce 3.2m bags and 2.2m bags respectively.

Mr Ferreira Leite said that the 6,000 members of his co-operative should produce no more than 500,000 bags this year – a quarter of last year's output. He explained that the drop was due to cold weather and low yields. He added that the 1987 harvest was unusually large.

Nevertheless, Brazilian producers are not expecting a shortage of coffee. They say large stocks carried over from last year's harvest will more than make up for the fall.

Malaysian tin price at 30-month high

By Wong Sulong in Kuala Lumpur

TIN PRICES on the Malaysian market have again broken through the 19 ringgit a kilogram barrier (equivalent to £4,200 a tonne). And this time there is greater confidence that the higher price can be sustained, following the appearance of firm orders from Europe at that level.

The price first breached the 19 ringgit mark on July 7, with a sudden rise of 60 cents. But that was largely due to market orders to buy without price limits and the price soon slipped back.

This week's rise appears more soundly based. Physical tin yesterday gained another cent to close at a 30-month high of 19.21 ringgit. A year ago the price stood at around 16.20 ringgit.

A prominent Malaysian miner said he thought the current price was fundamentally sound, and should hold for the near term. "We are looking forward for the 20 ringgit mark to be breached before the end of the year," he added.

Confidence that tin prices will remain stable has prompted the Government of Perak state, the leading tin-producing state in Malaysia, to propose the reintroduction of a 1.5 per cent royalty. The average Malaysian production cost is around 15 ringgit a kilogram.

Meanwhile the semi-official Malaysian Institute of Economic Research said yesterday that it expected overhanging world stocks of tin, which stood at 47,600 tonnes last April, to be whittled down to 20,000 tonnes by March next year, as a result of the supply rationalisation scheme being operated by the Association of Tin Exporting Countries.

Malaysia's only copper operation, the 51 per cent Japanese-owned Mamut Copper Mining Company in Sabah has announced a "significant turnaround" in profitability for the year ended March 1988, after many years of losses. The profit figure was not disclosed but it said it expected to wipe off its accumulated losses of 133m ringgit within three years.

Last year, the company produced 120,000 tonnes of copper concentrate, worth 200m ringgit. The concentrates were exported to Japan for smelting, yielding 30,000 tonnes of copper, 2.5 tonnes of gold and 14 tonnes of silver. The mine was set up in 1975 by the Japanese Overseas Mining Resources Development Corporation.

Record fall in grain stocks forecast

By Nancy Dunne in Washington

DROUGHT, NOW ravaging farmlands in North America and China, will produce the largest one-year decline in world grain reserves ever recorded, according to Mr Lester Brown, head of a respected Washington think tank and a former senior US Department of Agriculture official.

Mr Brown, president of the Worldwatch Institute, said that even conservative estimates suggest a drop in the US grain harvest this year of 78m tonnes, a fall of 30m tonnes in the China and a 6m tonne decline in Canada. The previous record fall was last year, when drought, the failure of the monsoon in India and the US acreage reduction programme cut stocks by 56m tonnes.

This year's fall would take stocks down to 250m tonnes, or 54 days of consumption, Mr Brown said. That would be "three days below the level that more than doubled grain prices in 1973."

Although the US returned set-aside lands to full production, it took four years to replenish the world's grain stocks in the 1970s. This time, rebuilding may take longer, Mr Brown said.

It was not noticed during the 1970s, but much of the world's grain output explosion was achieving by ploughing highly erodible land, drawing down water tables for irrigation and "practicing other unsustainable agricultural methods."

Between 1950 and 1981, grain planted areas expanded by 21 per cent around the world, but since then, the trend has been downward. In the US alone, 40m area are headed for the conservation reserve by 1990. In the Soviet Union, wind and water erosion has taken its toll, and farmers are abandoning around 1m hectares of eroded crop land each year.

In China, the grain-growing area has shrunk about 13 per cent since 1976. In India, the water table is dropping by three feet a year

ISRAELI AGRICULTURE, once a pillar of the country's economy, may collapse under the increasing burden of debt payments and this May's heatwave, warn the country's farmers, appealing for Government assistance, writes Laura Blumenfeld.

According to the Agriculture Ministry, direct crop damage from the unprecedented heatwave exceeds US$190m. Additional losses to related bodies could add another US$90m.

At an emergency meeting in Tel Aviv this week hundreds of near hysterical farmers demanded grants from the Government, rather than loans.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices continued to advance yesterday, dealers said conditions were still very nervous after the recent sharp setbacks, although there were signs that prices were beginning to settle down. The market closed off the day's highs, with three-month robusta adding £17 to £992 a tonne. Earlier this week it was trading as low as £880 a tonne. Cocoa prices edged ahead, also closing off the day's highs. Sentiment remained buoyed by concern about nearby supplies as the Ivory Coast continues to stay away from the market. In addition dealers reported good underlying manufacturer demand for current and new crop cocoa, including cocoa butter. On the LME copper closed at the day's highs, following Comex. The rise in both copper and zinc also helped the aluminium price, which advanced on short-covering.

COCOA £/tonne

	Close	Previous	High/Low
Sep	955	948	964 945
Dec	943	940	962 938
Mar	947	942	952 940
May	958	954	964 957
Jul	974	970	976 968
Sep	989	985	994 983
Dec	1029	1022	1032 1021

COFFEE £/tonne

	Close	Previous	High/Low
Sep	984	950	1000 960
Nov	992	975	1002 970
Jan	1003	990	1005 983
Mar	1010	995	1015 989
May	1019	1005	1015 999
Jly	1022	1005	1005 1004

SPOT MARKETS; **SUGAR ($ per tonne)**; **GAS OIL $/tonne**; **GRAINS £/tonne**; **POTATOES £/tonne**; **SOYABEAN MEAL £/tonne**; **FREIGHT FUTURES $10/index point**; **FRUIT AND VEGETABLES**

[illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity (£ per tonne)					Ring turnover 125 tonne	
Cash	2570-80	[illegible]		2650-5		
3 months	2560-90	[illegible]		[illegible]	2570-90	7,461 lots

[illegible]

LONDON BULLION MARKET; **LONDON METAL EXCHANGE TRADED OPTIONS**

[illegible]

US MARKETS

Despite forecasts for scattered rain within the next twenty-four hours, the grains and soybean complex closed sharply higher, but with pared gains, reflecting the continued hot weather, reports Drexel Burnham Lambert. October live cattle moved to limit-up as a result of heavy buying by one packer, while hogs and bellies were easier in response to weaker cash prices. Sugar was choppy, closing higher on the day, but with pared gains as the market failed to hold above 12 cents basis October despite trade and commission house buying. Coffee, too, was erratic, trading lower on fund and speculative selling, as the market attempted to find a stable level. Cocoa rallied on light speculative interest, with industry support noted. The precious metals were quiet, silver and platinum holding levels made on the opening with mixed buying, gold traded narrowly recovering slightly towards the close from earlier trade selling. Energy futures tended to ease with follow-through selling from yesterday, but volumes were light and support was evident as the markets approached contract lows.

New York

GOLD 100 troy oz.; $/troy oz.; **PLATINUM 50 troy oz; $/troy oz.**; **SILVER 5,000 troy oz; cents/troy oz.**; **COPPER 25,000 lbs; cents/lbs**; **CRUDE OIL (Light) 42,000 US galls $/barrel**; **HEATING OIL 42,000 US galls, cents/US galls**; **COCOA 10 tonnes;$/tonnes**; **COFFEE "C" 37,500lbs; cents/lbs**; **SUGAR WORLD "11" 112,000 lbs; cents/lbs**; **COTTON 50,000; cents/lbs**; **ORANGE JUICE 15,000 lbs; cents/lbs**; **INDICES**

[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel; **SOYABEAN OIL 60,000 lbs; cents/lb**; **SOYABEAN MEAL 100 tons; $/ton**; **MAIZE 5,000 bu min; cents/56lb bushel**; **WHEAT 5,000 bu min; cents/60lb-bushel**; **LIVE CATTLE 40,000 lbs; cents/lbs**; **LIVE HOGS 30,000 lb; cents/lbs**; **PORK BELLIES 38,000 lbs; cents/lb**

[illegible]

WORLD STOCK MARKETS

AUSTRIA — BELGIUM/LUXEMBOURG — DENMARK — FINLAND — FRANCE — GERMANY — ITALY — NETHERLANDS — NORWAY — SPAIN — SWEDEN — SWITZERLAND — SOUTH AFRICA

[illegible]

JAPAN — AUSTRALIA — HONG KONG — SINGAPORE

[illegible]

JAL	14,700	-100
JEOL	1,150	+30
Japan Radio	1,620	+30
Japan Steel Wks	600	—
Jap S Battery	676	-4
Japan Synth Rbr	1,110	-20
Jujo Paper	885	+6

Nikko Sec.	1,930	-40
Nikon Corp.	1,440	-30
Nippon Denso	2,170	—
Nippon Express	1,140	-20
Nippon Gakki	2,300	+10
Nippon Hodo	3,000	+10
Nippon Kogaku	1,120	-10

Taisho Marine	1,100	
Taisho Pharm	1,910	-50
Taiyo Fishery	564	+4
Taiyo Kobe Bank	1,480	-20
Takara Shuzo	870	—
Takeda	2,710	-30
Tanabe Seiyaku	2,100	-20

Hardie (J)	3.25	+0.05
Hartogen Energy	1.65	—
ICI Aust	6.82	-0.06
Industrial Equity	1.88	+0.03
Jones (David)	9.16	+0.06
Kia Ora Gold	0.30	—

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Closing prices August 3

[illegible]

MONTREAL
Closing prices August 3

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2pm prices August 4

Continued from page 33

[illegible]

TOKYO - Most Active Stocks

Thursday 4 August 1988

	Stocks Traded	Closing Prices	Change on day
Fujitsu	60.69m	1,370	+50
Ishikawajima-Harima Heavy Ind	60.00m	1,160	-10
Nippon Steel	59.65m	770	+7
Tokyu Land	39.58m	1,170	+70
Mitsubishi Oil	37.06m	915	+45
Mitsubishi Heavy Ind	36.17m	97090	-19
Keisei Electric Railway	32.72m	2,130	+60
Keihin Express Railway	27.38m	1,370	+90
Kawasaki Steel	21.03m	710	-30
Toshiba	21.02m	1,130	-30

INDICES

NEW YORK — DOW JONES

	Aug 3	Aug 2	Aug 1	Jul 29	1988 High	1988 Low	Since compilation High	Since compilation Low
◆Industrials	2134.87	2131.22	2130.52	2128.73	2158.61 (5/7)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.64	88.72	88.50	88.33	91.25 (3/3)	86.12 (4/1)	—	—
Transport	887.84	891.58	891.28	886.20	908.45 (5/7)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	183.44	182.37	182.43	182.85	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2147.94 (2151.85) Low 2115.40 (2112.20)

STANDARD AND POOR'S	Aug 3	Aug 2	Aug 1	Jul 29	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	272.98	272.06	272.21	272.02	275.66 (22/6)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	314.58	313.61	313.95	313.98	318.54 (22/6)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	25.54	25.32	25.14	24.98	25.54 (3/8)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	154.03	153.54	153.52	153.35	155.35 (22/6)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	306.34	306.50	306.71	306.18	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	388.52	387.80	388.00	387.38	394.77 (18/7)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Jul 29	Jul 22	Jul 15	year ago (approx.)
Dow Industrial Div. Yield	3.51	3.62	3.51	2.68

	Jul 27	Jul 20	Jul 13	year ago (approx.)
S & P Industrial div. yield	3.23	3.12	3.13	2.40
S & P P/E ratio	13.74	14.14	14.10	23.20

TRADING ACTIVITY — † Volume (Millions) Aug 3, Aug 2, Aug 1 — NEW YORK Aug 3, Aug 2, Aug 1

	Aug 3	Aug 2	Aug 1
Issues Traded	1,942	1,944	1,962
Rises	742	716	811
Falls	692	707	699
[illegible]	[illegible]	[illegible]	492
[illegible]	[illegible]	[illegible]	31
[illegible]	[illegible]	[illegible]	9

[illegible]

CANADA

TORONTO

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

	Aug. 4	Aug. 3	Aug. 2	Aug. 1	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1632.8	1622.7	1623.8	1624.6	1642.5 (18/7)	1170.7 (10/2)
All Mining (1/1/80)	833.4	828.2	833.7	836.5	847.4 (22/7)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	196.80	196.80	196.90	196.30	196.90 (2/8)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	4944.50	4930.69	4920.03	4922.8	5043.1 (9/3)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	227.04	227.86	227.31	227.69	227.86 (3/8)	180.68 (4/1)
FINLAND						
Unitas General (1975)	769.0	766.8	766.1	763.3	769.0 (4/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	358.5	358.7	359.0	357.9	368.5 (8/7)	251.3 (29/1)
Ind. Tendance (31/12/87)	134.5	134.6	134.4	134.4	137.6 (7/7)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	489.16	491.57	489.42	490.38	495.78 (8/7)	396.40 (29/1)
Commerzbank (1/12/53)	1488.7	1497.5	1491.3	1491.9	1507.3 (8/7)	1207.9 (29/1)
DAX (30/12/87)	1183.72	1187.67	1184.21	1189.60	1199.96 (5/7)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2677.37	2692.63	2701.09	2703.42	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Comm. Ital. (1972)	533.97	538.49	539.29	538.89	545.07 (18/3)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	28292.66	28348.45	28366.33	28326.31	28366.33 (2/8)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2232.95	2245.47	2253.10	2249.10	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	282.1	281.5	280.2	282.1	282.1 (1/8)	205.7 (4/1)
ANP-CBS Industrial (1970)	238.4	237.2	235.4	236.4	238.4 (4/8)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	425.65	419.10	419.59	418.77	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1165.56	1170.20	1160.83	1162.20	1170.20 (3/8)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1328.0§	1302.0	1335.0	1335.0	1451.0 (7/7)	1254.0 (4/5)
JSE Industrial (28/9/78)	1674.0§	1674.0	1677.0	1676.0	1758.0 (20/7)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	298.24	297.27	296.42	295.77	301.65 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3101.50	3085.90	3079.93	3082.20	3101.50 (4/8)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	(u)	548.3	(c)	555.3 (11/7)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	456.3	457.2	457.2	465.2 (15/6)	401.0 (21/1)

**Saturday July 30: Japan Nikkei 28199.94 and TSE 2247.03

§ Subject to official recalculation

Base values of all indices are 100 except Brussels SE and DAX — 1,000 JSE Gold — 255.7 JSE Industrials — 264.3 and Australia. All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.

3pm prices August 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR s	.36	1.4	19	15	28⅛	28	28	–⅛
12⅛	8¾	ACMIn n1.30e		11.		285	11⅝	11½	11⅝	
12⅛	10¾	ACMSc n1.26		11.		413	11¼	11	11⅛	
10⅛	9	ACMSo n.17e		1.8		216	9½	9⅜	9⅜	
27¾	10½	AGS			19	624	27	26¾	26⅞	+⅛
7⅞	2⅝	AMCA				5	4	4	4	
8⅝	3¼	AM Intl				1365	6⅛	6	6	–⅛
29⅜	17	AM Int pf 2		8.6		190	23⅛	23⅛	23⅛	+⅛
65½	26¼	AMR			10	1824	47⅞	46½	46⅝	–⅞
27	25	ANR pf 2.67		10.		2	25⅝	25⅝	25⅝	–⅝
11⅛	5¼	ARX			11	75	8¼	8⅛	8⅛	–⅛
72⅞	39⅜	ASA	3	7.5		387	40	d39⅝	39⅞	+⅛
22⅜	9½	AVX	.05e	.3	12	390	19¼	19	19	–¼
66⅝	40	AbtLab	1.20	2.6	15	4895	47⅜	46½	46½	–⅝
28	15⅛	Abitibi g	1			16	17⅝	17½	17½	
16⅝	8½	AcmeC	.40	3.7		4	10⅞	10⅞	10⅞	+⅛
10½	6⅝	AcmeE	.32b	4.5	22	41	7⅛	7	7⅛	+⅛
20	14⅛	AdaEx	3.05e	19.		94	16	15⅞	15⅞	
24⅞	7½	AMD				1236	13⅜	13⅛	13⅛	–⅛
11⅞	4⅝	Adobe			12	293	7⅝	7½	7⅝	+⅛
20⅛	18¾	Adob pf 1.84		10.		6	17⅞	17¾	17¾	
21⅜	17½	Adob pf 2.40		11.		2	21	21	21	
12⅞	6⅞	Advest	.12	1.3	17	1257	9⅜	8½	9	+⅞
64¼	39½	AetnLf	2.76	5.7	8	2982	48½	47⅝	48⅜	+⅝
97	90¼	AetL pfC5.56e		5.9		2	94	94	94	+1
41¾	20½	AlliPb s	.20	.7	47	1163	28¼	27⅞	28	+⅛
23¾	13	Ahmans	.88	5.5	10	1574	16⅛	15¾	16⅛	
4	1¾	Aileen				44	4	3¾	3¾	–⅛
53⅞	29	AirPrd	1.20	2.6	13	1075	46¾	45⅝	46¼	+⅝
28½	11⅛	AirbFrt	.60	3.5	23	222	17⅝	17¼	17⅜	
16¾	6¼	Airgas			21	64	16⅞	16⅞	16½	+⅛
20	13½	Airlease	2.30	12.	10	15	19	19	19	–⅛

Continued on Page 33

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices August 4

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
AT&E			11	8	8	8	+ 1/8
ATT Fd2.13e			66	39 1/2	39 1/8	39 1/8	− 1/8
Acton		7	17	13 1/4	13 1/8	13 1/4	− 1/8
AirExp		10	9	16 7/8	16 5/8	16 5/8	− 3/8
AlbaW			10	7 7/8	7 7/8	7 7/8	
Alfin s		16	102	3 3/4	3 1/2	3 1/2	
Alphain			1335	7 1/8	6 7/8	6 3/4	+ 1/4
Alza		49	1450	24	23 5/8	23 3/4	− 1/4
Amdahl	.20	14	1229	47 1/8	46 3/4	47 1/8	
AMzaA	.52	8	35	14 1/2	14 1/8	14 1/4	+ 1/8
AMzeB	.52	8	26	14 1/4	13 7/8	14 1/4	
AMBld			85	3/4	11-16	11-16	+ 1-16
APetf	1.60e	9	5	65 3/4	65 1/2	65 3/4	
APrec s	.17	38	2	16 1/2	16 1/2	16 1/2	− 1/8
AScIE		194	18	3 7/8	3 3/4	3 7/8	+ 1/8
Ampal	.05	5	14	1 5/8	1 5/8	1 5/8	
AndJcb			35	1 7/8	1 3/4	1 3/4	
ArizCm			49	4 1/4	3 7/8	4	− 3/8
Arrmtrn			10	2 1/8	2 1/8	2 1/8	
Astrotc			2150	3-16	1/8	3-16	+ 1-16
Atari		11	205	7 5/8	7 1/2	7 5/8	
ArtsCM			270	1 1/8	1 1/8	1 1/8	+ 1/8
Atlas wt			2	11 7/8	11 7/8	11 7/8	+ 1/8
— B-B —							
BAT	.33e		2242	7 1/4	7 3-16	7 3-16	− 1/4
BaryRG		10	95	6	5 7/8	6	+ 1/8
Baruch			2	6 1/4	5 1/4	6 1/4	
BergB s		13	584	22 1/8	22	22	
BicCp	1	11	35	28	27 3/4	28	+ 1/8
BinkMf	1	11	60	30	30	30	
BioR A		16	34	19 1/8	19	19 1/8	+ 1/8
[illegible]							

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OVER-THE-COUNTER

Nasdaq national market, 3pm prices August 4

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

Continued on Page 31

FINANCIAL TIMES

Friday August 5 1988

AMERICA

Dow eases in wait for jobs figures

Wall Street

THE STAGNATION that has marked equity trading throughout this week continued yesterday, leaving the Dow Jones Industrial Average virtually unchanged from a fortnight ago, *writes Janet Bush in New York.*

At 2 pm, the Dow index stood 6.23 points lower at 2,127.84, compared with the close on July 15 of 2,129.45. Daily gains so far this week have amounted to 1.78 points, 0.71 points and 2.85 points, a run of tiny price changes peculiar to this year and last.

Volume yesterday was moderate, with 87m shares changing hands by midsession.

Trading was slightly more lively on the US Treasury bond market, which registered modest gains in response to a substantial one-week rise in unemployment claims and a Fed Funds rate of 7¾ per cent, which was lower than expected.

By midsession, the Treasury's benchmark long bond stood ⅜ point higher to yield 9.03 per cent.

Part of the explanation for both markets' performance this week is reluctance to build aggressive new positions prior to today's July unemployment and employment figures.

These are expected to show an unchanged unemployment rate of 5.3 per cent and a rise of about 250,000 to 275,000 in the non-farm payroll, below the average of monthly rises over the past six months.

The influence of weekly job claims figures varies, but the bond market appeared to take notice of them yesterday in spite of the fact that the jump in the week ending July 23 was not seen as representing a trend. The Labour Department said the jump reflected temporary lay-offs in the auto industry.

Perceptions of the situation regarding inflation, economic growth and interest rates appear to have reached a rough balance, leaving the markets with little momentum in either direction.

Markets are aware of inflationary pressures in the economy but also that the Federal Reserve Board has tightened policy to combat this. The question that remains unanswered is whether the Fed has to do more. Hopes are that the unemployment figures will shed light on this.

Among the largest movers in the equity market was Spectramed, the manufacturer of critical care monitoring products, which has agreed to be taken over by BOC of Britain for $12 a share. It rose $6⅛ to $11⅛.

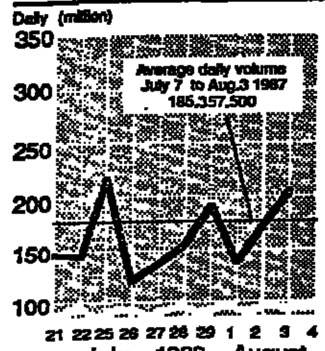
Insilco added $2 to $29¼ on news that the company had accepted the $29-a-share buy-out by a management group, backed by First Boston.

VF, the clothing manufacturer, jumped $1⅛ to $32¾ on speculation that investor Mr William Farley may be considering launching an offer for the company.

GTE, one of the most actively traded shares on the New York Stock Exchange yesterday, rose $1⅛ to $41¾. The company announced that it had boosted its quarterly dividend to 67 cents a share from 63 cents and that it planned to buy back up to 25m of its common shares.

American International, the insurance holding company, *dropped $⅝ to $62¼ after* reporting second-quarter net operating income of $1.75 a share, compared with $1.44 a year earlier.

NYSE Volume



Canada

METALS, industrials and energy issues pulled the Toronto market lower by midday yesterday, in spite of increases by golds.

The composite index fell 5.9 to 3,348.2 in light volume.

In metals, Inco dropped C$⅞ to C$36¼ after announcing it would rationalise its milling and concentrating operations in Ontario.

EUROPE

Chemicals prove potent after strong Akzo results

CHEMICALS stocks attracted interest across much of Europe following results from Akzo yesterday and from Hoechst the previous day, *writes Our Markets Staff.*

AMSTERDAM was led to another 1988 high by especially good results from Akzo, with trading in the chemicals group dominating the market.

"It's been a one stock day," said one Dutch specialist. The group's second quarter earnings per share figure of Fl 6.08 was right at the top of expectations, she said. Akzo, which also reported a 17.5 per cent jump in interim profits, gained Fl 3.50 to Fl 146.50.

Share prices rose steadily over the session, with the CBS all share index closing at 99.8, a rise of 0.7.

Heineken was strong amid rumours that Elders of Australia was interested in taking a stake, rising Fl 3 to Fl 150, while copier company Oce van der Grinten fell Fl 2 to Fl 285 on profit-taking after recent gains on takeover speculation.

ZURICH had another good day as investors chased stocks priced at levels lower than their net asset values. The Crédit Suisse index rose 4.1 to 478.1.

Retailers took the limelight on the view that they are undervalued in relation to their assets, making them potential takeover candidates. Jelmoli bearers added SFr95 to SFr2,620 while Globus found SFr100 to SFr7,400. Employment agency Adia, a strong climber in recent days, saw its bearers rise another SFr350 to SFr9,300.

Speculative froth surrounding the small insurers died down somewhat, although La Genèvoise, in which Allianz of West Germany has bought a 15 per cent, rose SFr250 to SFr17,200.

Profit-taking took breweries lower in pre-bourse dealings after their recent strength. Feldschlössen bearers lost SFr125 to SFr3,900.

BRUSSELS had a good start to the two-week account, with active domestic buying of steel stocks and some foreign interest in chemicals. The cash market index added 13.9 to 4,944.51 as volume continued to rise to an estimated BFr600m.

With both Hoechst and Akzo quoted in Brussels, results from the two leading chemicals sparked interest in Belgian chemicals, with Solvay up BFr100 at BFr12,750 and UCB gaining BFr60 to BFr9,250. However, volumes here were still below average, with Solvay seeing only about 1,900 shares traded.

PARIS fell back at the end of a fairly featureless session, with trading dominated by pharmaceuticals issue Sanofi, privatisation stock CCF and retailer Casino.

The CAC index opened 0.2 lower at 358.5 and the OMF 50 index eased 0.49 to 356.35. Volumes were estimated to be lower than Wednesday's FFr839.6m worth of shares.

Sanofi, appearing on several buy lists after a re-rating, rose FFr11 to FFr791, with about 60,000 shares traded. CCF, benefiting from the expected reshuffling of share ownership in privatised stocks, added FFr8.90 to FFr138.50. Casino, the biggest mover, put on FFr10.50, or 7 per cent, to FFr160.50.

Mail order firm La Redoute said it had raised its stake to 24.6 per cent in Empire Stores of the UK, but lost FFr30 to FFr2,830 on profit-taking, having climbed recently on good earnings figures.

Steel pipe manufacturer Vallourec, announcing 25 per cent higher interim group sales, was steady at FFr132.50. The stock has risen 110 per cent over the past year, and 55 per *cent over the past three* months, in response to its vastly improved profits picture, one analyst said.

FRANKFURT found the excitement on Wednesday to be short-lived, with prices coming off suddenly yesterday morning as profit-taking set in and volume fell away again.

The FAZ index was off 0.26 at 489.16 at midsession, and the real-time DAX index closed 3.95 easier at 1,183.72. Volume shrank back to DM2.8bn after Wednesday's DM2.9bn.

The chemicals sector, which had benefited from Hoechst's good profits news the previous day, was one of those to drop back, with Hoechst itself off 50 pfg at DM279.50 and Bayer down 40 pfg at DM294.

Deutsche Bank lost DM4 to DM481 in the wake of its interim figures, described by one analyst as "a pretty good set of results".

Cars went most sharply into reverse amid mixed predictions for next year's profits, and BMW fell below the DM500 level, ending *DM9 down at* DM497. Daimler dropped DM6.50 to DM669.50 for a two-day loss of DM12.50 after news of its DM300m capital injection into offshoot Dornier.

Against the trend, engineering stocks were better following news of good incoming orders, with Mannesmann up DM4 at DM175.20 on the day's most active trading of DM172m worth of shares. Investors are expecting good results from the company and there is also speculation that an end to the Gulf War could bring contracts for the sector.

The bond market turned easier after the launch of the new DM4bn 10-year federal government bond with a 6% per cent coupon and priced at par. The yield on the current 10-year bond rose to 6.77 per cent from 6.73 per cent.

MILAN fell back in a bout of profit-taking, although some buying support emerged at lower levels. The Comit index finished 4.52 down at 533.97 in volume estimated to be lower than Wednesday's provisional L157bn.

Montedison attracted late interest, gaining L11 to close at L1,930, having fallen as low as L1,905. Other recent strong performers were easier, with Generali off L775 at L90,000 *and Olivetti down L95 at* L10,395.

MADRID was boosted by interest in utilities, construction and engineering stocks, with the general index rising 0.97 to 298.24.

HELSINKI rose to its fourth consecutive all-time high, with the Unitas all-share index up 2.2 at 769.0.

London

SITUATION stocks provided the main interest in London again yesterday, with a £600m bid by Mecca for Pleasurama, and a welcome for British Airways' *trading results.*

A steady pound kept worries over interest rates in the background and the FT-SE 100 index finished 4.6 higher at 1,869.7 in improved turnover levels.

ASIA PACIFIC

Nikkei falls on fears of margin clampdown

Tokyo

AFTER a record-breaking advance in the morning, profit-taking pressure built up in late trading to send Tokyo share prices lower yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average lost 55.79 to 28,292.66 after gaining 127 points to a record high of 28,475.68. The day's low was 28,246.25. Volume totalled 858m shares compared with Wednesday's 821m shares. Declines led advances by 528 to 343, with 177 issues unchanged.

In London, Japanese shares fell further, with the ISE/Nikkei 50 index off 2.18 at 1,868.38.

Tokyo got off to a strong start, with buying interest centring on speculative issues such as Mitsubishi Oil and Matsuzakaya.

However, concern later grew that the recent rapid upswing would prompt exchange authorities to tighten margin trading restrictions and this sparked heavy profit-taking.

On the trading floor, Mitsubishi Oil scored a maximum allowable single-day gain at one stage of Y100 to Y970 on rumours of a possible capital tie-up with a Saudi Arabian oil concern. *This was later denied* by the company. The issue, which saw 37.08m shares change hands, ended Y46 higher at Y916.

Matsuzakaya, a leading department store, soared Y800 to Y6,800 on rumours of speculative buying.

Fujikura, a stock linked to waterfront redevelopment, topped the active list with 60.69m shares traded, gaining Y50 to Y1,370. Tokyu Land rose Y70 to Y1,170 on speculation over resort development and saw 39.58m shares traded.

Keisei Electric Railway, with 32.72m shares, added Y60 to Y2,130 on lingering rumours that its subsidiary, Oriental Land, which runs Tokyo Disneyland, would go public.

Buying of large-capital stocks remained weak, although steels rebounded sharply towards the close. Kawasaki Steel gained Y36 to Y710, while Nippon Steel, third busiest with 59.65m shares, ended Y7 up at Y770 after briefly losing Y11. Ishikawajima-Harima Heavy Industries, the second most active issue with 60m shares, fell Y10 to Y1,160.

Bond prices firmed, bolstered by the Bank of Japan's rotat*ing bond buying operation.*

The central bank purchased Y50bn of three issues of 10-year government bonds, including the 5.1 per cent bond maturing in June 1996, from three securities houses and seven banks.

As a result, the yield on the benchmark 5.0 per cent government bond, falling due in December 1997, dipped to 4.945 per cent before ending at 4.955 per cent, compared with 4.980 per cent at Wednesday's close.

Caution dominated the Osaka Securities Exchange, pushing share prices moderately lower. The 250-issue stock average fell 129.29 points to 27,452.77, on an estimated volume of 72m shares, down 2.7m from the previous day.

Roundup

INTEREST in the region returned to Australia after two days of weakness. Turnover was also healthy in Singapore, but Hong Kong remained quiet.

AUSTRALIA found fresh confidence from stable commodity prices and optimism that forthcoming company results would encourage institutions to invest some of their *large cash holdings.* The All Ordinaries index rose 9.1 to 1,631.8 and turnover picked up to about A$245m.

In industrials, retailer Coles Myer showed the day's biggest rise with a 50 cent gain to A$10.50, boosted by expectations that it would report a 40 per cent profits increase and make a bonus issue, according to brokers BZW Meares. Property group Lend Lease added 45 cents to A$14.50, also amid rumours of a bonus issue.

HONG KONG eased further on lack of news and Tokyo's small decline. The Hang Seng index shed 15.26 to 2,677.37 in turnover worth HK$636m, only slightly up on Wednesday.

Properties saw the biggest losses, with Cheung Kong and New World both off 10 cents at HK$7.65 and HK$11.40 respectively. Great Eagle, a property developer, was the most active stock, falling 7½ cents to HK$2.90 amid reports it might be involved in a placement of shares.

World International added 10 cents to HK$3.90 after its 55.8 per cent rise in group profits. Hutchison eased 10 cents to HK$9.25 amid speculation that its subsidiary, Husky Oil, would bid for Texaco Canada.

*SINGAPORE ran into profit-*taking and was not helped by Tokyo's late decline. The Straits Times index shed 4.64 to 1,165.56 in fairly active trading of 80m shares, similar to Wednesday's level.

Actives included DBS Land, up 6 cents at S$1.40 on 3.4m shares traded, and Tan Chong, ½ cent higher at S$81½ on 1.9m shares.

TAIWAN climbed to another record, led by banks, plastics, electrical and machinery issues. The weighted index rose 135.69 to 6,690.61.

SEOUL fell for the fourth consecutive session, with the composite index losing 10.86 to 693.98.

SOUTH AFRICA

GOLD and other mining stocks rose in Johannesburg yesterday, boosted by the steady bullion price, although trading in other shares was cautious.

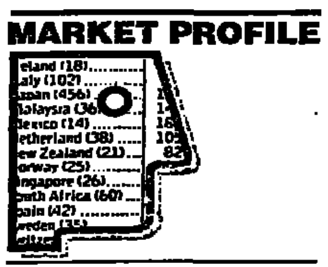
News that South Africa might tighten import controls and put further curbs on credit added to investors' uncertainty.

Small proves beneficial in Austria

The small Vienna Stock Exchange is one of the lesser known bourses in Europe, accounting for just 0.4 per cent of European equity trading and 0.1 per cent of total world activity.

Its size was actually of benefit during last year's crash, when the market dropped by only 13 per cent, compared with the more common 25 per cent to 30 per cent falls elsewhere. This year, prices plummeted to a three-year low in February, improving somewhat erratically between then and June. The past couple of months have seen a sustained rally, with equities climbing by about 13 per cent.

MARKET PROFILE



Vienna

The bourse, capitalised at Sch87bn ($6.9bn), covers a total of 171 stocks – including the ordinary, preference and participation stocks of 122 companies, both foreign and domestic. The top 10 stocks account for 56 per cent of the market, while the top 25 are estimated to account for about 90 per cent of turnover. A quarter of the stock is freely tradeable.

The general index tracks the performance of all listed shares while the Vienna Stock Exchange share index covers 54 stocks. The widely-used Credit Aktien index covers 25 issues.

The bourse's trading day kicks off at 11 am, running for two hours until 1 pm. The foreign exchange market operates from 12.45 pm to 1.30 pm, and there are no secondary or over-the-counter markets.

The exchange's trading system is largely paper-based, with a computerised order routing system due to be introduced in the near future. All transactions, including foreign ones, are in schillings and all stocks are quoted in schillings.

The partial privatisation of Austrian Airways, the state-run national carrier, and several new listings in June have helped improve trading on the bourse. Average daily turnover so far this year stands at Sch33.7m. Volumes have increased considerably over the past four years, helped by the boost that new listings have given to liquidity.

The market continues to be controlled primarily by the banks. Settlement generally takes place on the second Monday following a full business week, and dealings are settled by cash or through the weekly clearing system, known as *arrangement.*

There are no specific regulations on foreign share ownership and non-residents may buy and sell domestic and foreign securities listed on the bourse for freely convertible currencies without restriction.

There is at present a 20 per cent withholding tax on dividends, due to be increased to 25 per cent at the beginning of next year. However, there are double taxation agreements between Austria and other countries under which the foreign investor does not have to pay any dividend withholding tax.

The profile series continues next week with Athens.

Judy Dempsey

STOCK MARKET FACT CHART VIENNA

Market capitalisation: Sch 87bn ($1=Sch12.66, £1=Sch22.38)
Number of shares listed: 171
Top 10 stocks, percentage of market: 56%
Trading hours: official – 11 am-1 pm; none after hours
Average daily turnover, 1988: Sch 22.5m
Main indices: GZ all share index, VSE share index (covers 54 stocks), Credit Aktien index (25 stocks)
Current level of index (Credit Aktien): 196.8;
1988 high: 196.9 (2/8); 1988 low: 183.98 (11/2)
Settlement: second Monday following full business week
Address: Wiener Boersekammer, Wipplingerstrasse 34, A-1011 Vienna. Tel: (0222) 53 466.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of stocks per grouping)	WEDNESDAY AUGUST 3 1988: US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	TUESDAY AUGUST 2 1988: US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX: 1988 High	1988 Low	Year ago (approx)
Australia (89)	147.85	-0.2	128.19	122.19	3.66	148.10	128.40	122.59	150.71	91.16	154.41
Austria (16)	86.38	+0.1	74.89	83.97	2.47	86.33	74.85	84.00	98.18	83.72	96.47
Belgium (63)	113.85	+0.4	98.71	111.33	4.53	113.43	98.35	111.05	139.89	99.14	126.17
Canada (129)	124.38	+0.1	107.83	108.30	3.09	124.22	107.70	108.57	128.91	107.06	139.19
Denmark (39)	126.42	-0.5	109.61	122.55	2.37	127.09	110.19	123.11	132.72	111.42	113.62
Finland (26)	128.78	-0.4	111.65	119.78	1.44	129.34	112.14	120.07	139.52	106.78	
France (129)	93.00	-0.2	80.63	92.24	3.51	93.17	80.78	92.44	99.62	72.77	105.29
West Germany (100)	75.55	+0.4	65.50	73.65	2.51	75.24	65.23	73.36	80.79	67.78	100.77
Hong Kong (46)	109.42	-0.5	94.87	109.66	4.18	109.94	95.32	110.18	111.86	84.90	140.90
Ireland (18)	134.02	-0.4	116.20	131.55	3.62	134.60	116.69	132.07	144.25	104.60	137.22
Italy (102)	73.43	-0.1	63.67	75.85	2.65	73.50	63.72	75.91	81.74	62.99	92.94
Japan (456)	168.93	-0.4	146.46	141.86	0.50	169.63	147.07	142.50	177.27	133.61	133.58
Malaysia (36)	153.05	+0.6	132.70	155.50	2.36	152.18	131.94	154.52	153.47	107.83	186.86
Mexico (13)	157.17	+1.5	136.27	393.19	1.38	154.79	134.20	387.23	180.07	90.07	295.02
Netherland (38)	106.73	-0.1	92.53	103.03	4.49	106.79	92.58	103.23	110.66	95.23	128.35
New Zealand (21)	81.27	+1.4	70.46	64.85	5.83	80.16	69.50	64.24	94.05	64.42	112.38
Norway (25)	121.69	+0.1	105.50	112.27	2.68	121.60	105.43	112.15	122.23	98.55	161.81
Singapore (26)	134.63	+0.7	116.72	126.97	2.05	133.63	115.86	125.99	134.63	97.99	165.71
South Africa (60)	117.85	+3.7	102.18	89.61	4.73	113.61	98.50	91.13	139.07	111.61	193.75
Spain (43)	148.56	+0.5	128.80	138.71	3.26	147.89	128.22	138.09	164.47	130.73	140.68
Sweden (35)	119.27	+0.1	103.37	113.66	2.51	119.13	103.29	113.49	125.50	96.92	121.53
Switzerland (55)	77.95	+0.5	67.58	75.49	2.27	77.60	67.28	75.15	86.75	75.40	103.07
United Kingdom (325)	133.32	+0.6	115.59	115.59	4.35	132.55	114.92	114.92	141.18	123.09	149.41
USA (581)	111.29	+0.4	96.49	111.29	3.54	110.88	96.14	110.88	112.47	99.19	129.67
Europe (1014)	106.15	+0.3	92.03	98.28	3.69	105.78	91.71	97.96	110.82	97.01	123.47
Pacific Basin (674)	165.75	-0.4	143.71	139.71	0.70	166.41	144.28	140.33	172.26	130.81	134.58
Euro-Pacific (1688)	141.92	-0.2	123.04	123.22	1.60	142.16	123.25	123.48	147.53	120.36	130.19
North America (710)	111.99	+0.4	97.09	111.12	3.51	111.59	96.75	110.76	113.29	99.78	130.18
Europe Ex. UK (689)	89.29	+0.1	77.42	87.54	3.10	89.17	77.31	87.44	92.99	80.27	107.37
Pacific Ex. Japan (218)	127.55	-0.1	110.59	112.89	3.82	127.67	110.69	113.13	128.25	87.51	146.82
World Ex. US (1890)	141.08	-0.1	122.32	122.50	1.68	141.27	122.48	122.77	146.49	120.26	131.30
World Ex. UK (2146)	129.18	+0.0	112.00	118.90	2.07	129.22	112.03	119.01	131.77	111.77	128.79
World Ex. So. Af. (2411)	129.60	+0.0	112.37	118.78	2.26	129.59	112.36	118.80	132.39	113.26	130.21
World Ex. Japan (2015)	110.65	+0.4	95.93	106.70	3.60	110.24	95.58	106.39	112.43	100.00	129.24
The World Index (2471)	129.53	+0.0	112.31	118.58	2.28	129.49	112.27	118.61	132.38	113.37	130.62

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.